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NEWS SUMMARY

GENERAL

Begin attacks Europe peace bid

Israeli Prime Minister Menahem Begin yesterday attacked Lord Carrington, UK Foreign Secretary, for promising European support for the establishment of a Palestinian State in the Israeli-occupied West Bank and Gaza Strip. Lord Carrington is current president of the EEC Foreign Ministers' Council.

Lord Carrington leaves for *Saudi Arabia today to discuss* its eight-point peace plan for the Middle East.

President Ronald Reagan is seeking to draw moderate Arab States into the Camp David peace process between Israel and Egypt. **Page 3; Background Page 7**

Sadat plot leader

Moslem extremist group member Mohamed Abdel-Salam Farag was named as a leader of the plot to assassinate President Sadat.

'Cover-up' claim

Attorney-General Sir Michael Havers reopened the files on Soviet spy Leo Long as MPs alleged an "establishment cover-up" and demanded an inquiry.

Spy charges

Three men were arrested last week on charges of spying for the Soviet Union, the West German Federal Court said.

Jobs initiative

Debates at the CBI's annual conference showed a new willingness among employeds to increase employment themselves rather than rely on the Government. **Back Page; Conference report, Page 8**

Ulster bomb fear

The Provisional IRA plans a new bombing campaign in Northern Ireland, police said.

Submarine move

The captain of the Soviet submarine grounded in a Swedish military zone left the vessel for questioning by Swedish naval officers. **Page 2**

Walesa victory

Solidarity leader Lech Walesa persuaded strikers in Tarnobrzeg to suspend their action pending talks with the Government. **Page 2**

Police call

Police complaints board chairman Sir Cyril Philips called for changes in the complaints system, including the appointment of an independent ombudsman.

Tunisia votes

Initial returns in Tunisia's general election suggest the Front National—a trade union and ruling Destour Socialist Party coalition—is heading for a landslide victory.

Magazine closes

The Accountants Weekly magazine will cease publication on Friday after 11 years and be *merged with Financial Weekly.*

Jones the Choir

The Welsh anti-apartheid movement said it would try to identify all 70 members of a male voice choir who took the name Jones to sing in South Africa.

Briefly . . .

Manx general election will be held on November 19.

Citizens' Band radio shops reported a large number of sales. Page 6

BUSINESS

Sterling up 1.3c; Equities gain 10.4

● **STERLING** improved against the dollar closing 1.3c higher in London at $1.873. Against European currencies it eased, closing at DM 4.165 (DM 4.17) SwFr 3.375 (SwFr 3.405), FFr 10.43 (FFr 10.5125). Its trade weighted index rose to 88.9 (88.7). Page 25

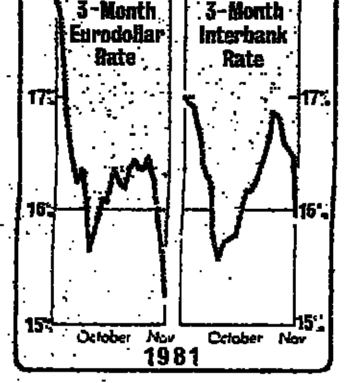
● **DOLLAR** weakened, closing in *London at DM 2.222 (DM 2.2425).* SwFr 1.801 (SwFr 1.83) and Y229.1 (£233.1). Its trade weighted index fell to 107.6 (108.8). Page 25

● **GOLD** rose $4 to $432 in London. In New York the Comex November close was 428.5. Page 25

● **GILTS** improved sharply on euphoria over interest rates. The Government Securities index gained 0.5 to 61.66. Page 28

● **Equities** advanced before reacting late to shop stewards' rejection of BL's improved pay offer. The FT 30-share index closed 10.4 up at 478.9. Page 28

● **UK MONEY** market rates fell below 16 jer cent for the first time in over two weeks. Three-



month interbank rates shed half of one per cent to 15½. Page 25

● **MAJOR U.S. BANKS** cut their prime lending rates from 18 per cent to 17.5 per cent following Friday's 1 per cent cut in the Fed's discount rate.

● **WALL STREET** was 11.13 up at 863.68 near the close. Page 26

● **CLYDE PETROLEUM**, the independent UK-based oil group, bought a big stake in the North Sea Buchan Field in a £24m deal with City Investing Company of the U.S. Page 7

● **BRITISH STEEL** management is considering plans to reduce the corporation's workforce by a further 20,000. Back

● **MOY VANDERVELL**, stockbrokers, will cease trading in December because its five partners think there are more profitable ways of earning a living. Page 6

● **AUSTRALIAN** entrepreneur Robert Holmes a Court is attempting to purchase just over half of the non-voting "A" shares in Lord Grade's Associated Communications Corporation. Back Page

● **YARROW** and Co., the engineering group, reported pre-tax profits down from £1.65m to £53,000 for the year to end June on turnover of £17.21m (£18.38m). Page 18

● **GRAIG SHIPPING** increased pre-tax profits from £651,224 to £2.01m for the half year to end September. Page 18

Unit trust prices

The offshore and overseas section of the unit trust price service will from today be found on the Currencies, Money and Gold page. On Saturdays it will be on the second of the Stock Exchange dealings pages; on Monday its position will be unchanged.

The World Value of the Pound and Dollar features will in future be found on the Stock Exchange report page.

Bitterness and humour on Longbridge picket lines

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

PICKET LINES at BL's Longbridge plant welcomed local Tory MP, Mr Jocelyn Cadbury, with good-humoured cries of "Who's a fruit and nut case." He retreated to the safety of the flower beds on a traffic island overlooking the massed picket at K gate and gave his prearranged television interview.

The tall, donnish-looking Northfield MP, suitably dressed in a red anorak, explained in cultured tones why the BL workers should end their strike. The management offer was reasonable and they had made their point, he maintained.

Like many Conservative MPs, Mr Cadbury is aware not only of the economic but also of the political consequences of the threatened shut down at Longbridge. He might well have passed the queue of unemployed outside the social security office off the Northfield shopping centre.

This is an area of Birmingham where unemployment has risen dramatically in recent months, and where whole suburbs are dependent on the sprawling Longbridge complex with its 15,000 workers.

By 6 o'clock yesterday morning the 25 gates at the plant were blocked by more than 1,000 pickets. At some entrances they were massed in their hundreds.

At K Gate where the pickets had to jostle for space with the camera and television crews—even interviewer Frank Bough was there—there was an atmosphere of excitement. All the workers were celebrities. Their views were important.

There was no sign of manual workers wanting to break the picket. It was the staff—executives in newly registered Princesses with briefcases prominently displayed — that drove towards the massed ranks at K Gate.

The half-dozen police offered a word of restraint to drivers. Mrs Shiela McGreevy, from the seat sewing room—the sweatshop as she calls it—strode forward to advise managers not to enter.

"I am always polite. Civility does not cost anything. These office workers are frightened for their future. You can tell it from their faces and the tone of their voice," she says while claiming a 50 per cent success rate in deterring office workers since she joined the picket just after 5 am.

Her failures, as the workers retreat and the cars sweep through the gates, are greeted with jeers and cries of "scab."

A determined effort by a group of staff to break the barrier was parried by a figure that looked remarkably like a slimmed-down version of Mr Derek Robinson, the once powerful but now dismissed Communist convener. Twin brother Dennis laughs as his pleas to the staff to look him in the eye go unheeded. They slip, heads bowed, into the plant.

Mr Johnny Barker, the local Transport Union official, strides cheerfully up and down, umbrella jauntily erect, as he enthuses about the turnout. He is followed by Mr Les Huckfield, a Labour spokesman on industry and veteran of the picket line and trade union loyalty demonstrations.

Prominent among the throng is the towering figure of Mr Graham Presbidge, distinguished by his woollen Arsenal supporters hat. He enters into the spirit of the occasion but is bitter.

"In 20 years at Longbridge I have never seen a mood like this before," he says. "We have been talking for four years but the time must come when we take on this man Edwardes. At Longbridge we have lost 5,000 jobs, raised productivity 30 per cent and still we don't get the money."

The 250 men in the machining shop where he is steward called an impromptu meeting on Friday to decide what to do about blacklegs. "They voted unanimously that they will never work again with anyone in the shop who crosses the picket line," he says.

A middle aged man who had worked at Longbridge for 30 years and has only one of his four children still at home, said: "I have never felt like this before. This man Edwardes is challenging not just our pay, but our right to negotiate, our right to respect as individuals. My life is staked in this plant. I will stand firm with all I have to risk, but the younger men have to face the pressure of mortgages and growing families."

Reports from Cowley and Coventry, Page 9

BL stewards vote to reject revised offer

BY JOHN LLOYD AND ARTHUR SMITH

MASS MEETINGS of BL Cars' 58,000 manual workers will today be told by their warnings of company closure and mass redundancies. The shop stewards to ignore workers will be told to vote against accepting the revised pay offer hammered out between union leaders and BL on Saturday night.

The 250 senior stewards meeting in Birmingham yesterday voted, with only 12 votes against, to reject the advice of their national officials to accept the offer.

The extent and depth of the support, apparent on massive picket lines in all major BL Cars plants yesterday, raised fears that the trade union movement might be stumbling into a confrontation with the Government on the scale of the miners strike of 1974.

Senior TUC leaders met late yesterday afternoon to hear a report on the situation from Mr Len Murray, the TUC General Secretary. They refused to comment afterwards, preferring to wait for the result of today's mass meetings.

BL last night attempted to make light of the stewards' decision, arguing they were out of touch both with the trade union leaders who had recognised the revised offer as a basis for agreement and with the ordinary workers.

Mr Terry Duffy, President of the Amalgamated Union of Engineering Workers, the second largest union at BL, appealed to his members to ignore the stewards' recommendations. The AUEW executive, meeting yesterday, felt it would be in the interests of their members to accept, he said.

However, Mr Alex Kitson, deputy general secretary of the Transport and General Workers Union, the largest union at BL, continued to take a publically neutral stance, stressing it was up to the members.

In a private meeting with TGWU stewards before the joint meeting yesterday, Mr Kitson said union support would be forthcoming in the event of votes for continued strike action. The AUEW, too,

Continued on Back Page

What today's meetings will vote on: BL's revised offer.

● Guaranteed £3.75 bonus during holiday's layoffs and sickness periods.

● Improvement of £1 on overtime and shift rates.

● Review "as a matter of urgency" o fthe possibility of consolidating all or part of the £3.75 bonus from November 1, 1982.

● Urgent talks on reconstituting the joint negotiating committee in association with with the TUC. Sir Michael sees the JNC as a forum for discussion of a range of strategic matters, as well as one which could monitor and ...improve the bonus payments system and increase employee involvement in the company.

● NO improvement of basic rate offer: it remains at 3.8 per cent.

Cable offer attracts £1.26bn

By Christine Moir

THE Government's offer for sale of 133.29m shares in Cable and Wireless has been over-subscribed 5.6 times, attracting £1.26bn-worth of applications.

However, small speculators hoping to make a swift profit when dealings start on Friday will need to check their letters of allotment very closely. More than 180,000 small applications failed to win shares in a ballot system of allocation.

Several thousand more applications were rejected because Kleinwort Benson, the lead underwriter, and National Westminster Bank, managers to the issue, decided they came from speculators trying to increase

Continued on Back Page

Lex, Back Page

BASIS OF ALLOTMENT

Application (no of shares)	Allotment
100, 200 and 300	30% chance of full allotment
400 to 900	chances rising from 40% to 90% of getting 300
1,000	300
1,500 to 3,000	25% of application
3,500 to 5,500	20%; minimum 775
6,000 to 5m	15%; minimum 1,150
5m plus	13%; maximum 2.25m

Britain to pay third of satellite's cost

BY GUY DE JONQUIERES

BRITAIN IS to take a one-third share in the European Space Agency's £230m project to launch an experimental satellite which will beam communications and broadcasting signals across the whole of Europe.

The project, known as L-Sat, is intended to put Europe in the running in the world market for a new generation of big multi-purpose satellites, of which about 150 are expected to be in orbit by the end of this century. L-Sat is due to be launched in 1986 and British Aerospace has been appointed prime contractor.

Britain agreed to finance a third of the cost after persuading the eight other countries involved to allow the companies building the satellite maximum freedom in its design and management and in the procurement of components for it.

Other countries are to decide on committing themselves to the project before the end of the year. Italy and Canada are being asked to take shares of a third and about a tenth respectively. The other participants are the Netherlands, Switzerland, Austria, Belgium, Spain, and Denmark.

The BBC and the Italian state broadcasting authority both intend to transmit television programmes on L-Sat, and Britain's independent broadcasting companies are studying the project. British Telecom is interested in using the satellite for business communications as is the consortium formed by Cable and Wireless to operate an independent communications system.

France and West Germany, though members of the European Space Agency, have decided not to participate. They are collaborating instead on two broadcast-only satellites.

Britain's comitments to L-Sat was announced by Mr Kenneth Baker, Minister for Information Technology, at a Press conference in London yesterday marking the launch of Information Technology Year.

FT coverage expanded

A major expansion of the Financial Times's coverage starts today. On page 11, we carry the first of the commercial law reports which will appear three days a week and cover legal decisions of special interest to businessmen and commercial and company lawyers. And on page 12, the Management Page, our increased coverage of the small business sector every Tuesday starts today with a look at why a senior company executive set up his own engineering business.

Money supply overshoots target

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

THE Government is preparing to concede failure in its efforts to hold the money supply within the target for this year. The money supply is its chief weapon in the battle against inflation.

Ministers are now discussing a range of possible targets as a guidance system for future policy. As a result, sterling M3—the broad measure of money—is certain to be demoted from the pre-eminent position it held in the Government's medium term financial strategy.

The change of emphasis to a series of targets, including a range of monetary indicators, output in cash terms (money GDP), exchange rate policy, and Government borrowing will probably require important revisions to strategy at the next Budget.

The Government will also have to decide whether it should wipe the slate clean for next year by settin ga new base for the growth of sterling M3. The alternative would be to apply an extra squeeze in 1981-1983.

Last year the easier option of setting a new base was taken, and this seems likely to be repeated.

Until recently, ministers had only a foggy idea of the underlying trend of sterling M3, because of distortions resulting from the civil servants' strike. Now, however, it is becoming clear that the target range of 6 per cent to 10 per cent growth is likely to be substantially overshot.

The most recent figures, for the first seven months of the year, indicate that stering M3 was rising at an annual rate of 19 per cent. It is now thought

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Scheme to aid British Telecom, Back Page

VW chief resigns after illness

BY KEVIN DONE IN FRANKFURT

HERR TONI SCHMUECKER, chief executive of Volkswagen, West Germany's biggest motor group, for seven years, has resigned for health reasons.

He is virtually certain to be succeeded by Dr Carl Hahn, 55, chairman since 1973 of Continental Gummi-Werke, West Europe's third largest tyre manufacturer.

Herr Schmuecker, 60, had a heart attack in June. He returned to the VW headquarters in Wolfsburg last month, but never fully resumed his duties.

In three weeks VW has lost both its chief executive and Prof Friedrich Thomée, its finance chief, longest-serving Board member and for four months acting chief executive.

Prof Thomée, 61, resigned abruptly last month when it became clear that he was out of the running for the VW chairmanship.

He has suffered heavy criticism in recent months for his handling of VW's troubled office information equipment subsidiary.

The appointment of Dr Hahn to the chairmanship will be put to the full Volkswagen supervisory board when it meets on November 13.

Their approval is virtually guaranteed since the board's four-man executive committee *decided in his favour at the* weekend.

The other major candidates were Herr Edzard Reuter, finance chief of Daimler-Benz: and Dr Werner Schmidt, VW director with responsibility for sales.

The Volkswagen supervisory board is anxious to end the uncertainty that has engulfed the concern and its top management in recent months, a period in which it has announced its first quarterly loss since 1975.

The executive committee has decided to recommend appointment for the first time of a deputy chairman, Herr Horst Münzner, the company's longest-serving board member and responsible for purchasing.

The group has moved to fill the management gap at its heavily loss-making typewriter subsidiary, Triumph Adler, without a chief executive since the summer.

From February 1 the thorny job of chairman there is taken by Dr Peter Niedner, head of the German subsidiary of Landis and Gyr the Swiss control and measuring equipment manufacturer.

VW pay contract, Page 4

The man most likely to succeed at VW, Page 23

£ in New York

—	Oct. 30	Previous
Spot	$1.8780-8830	$1.8450-8470
1 month	0.17-0.10dis	0.12-0.05 dis
3 months	0.17-0.10dis	0.10 dis-nil
12 months	0.65-0.85prem	0.90-1.10 pm

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Treas. 11½pc 1985	£87⅞	+ ⅛
Excheq. 13½pc 1987	£95¼	+ 1
Assoc. Comms. A	53	+ 11
Assoc. Dairies	168	+ 10
Automated Security	148	+ 13
Concord Rotaflex	45	+ 4
Dixons Photographic	150	+ 13
First Castle	84	+ 8
GEC	697	+ 15
Glaxo	420	+ 10
GKN	151	+ 7
Hambros Bank	153	+ 10
Horizon Travel	225	+ 10
House of Fraser	158	+ 10
Jardine Matheson	187	+ 22
Land Securities	296	+ 12
Mercantile House	415	+ 23
Metal Box	136	+ 6
Polly Peck	355	+ 19
Racal Electronics	391	+ 18
Reed Int.	334	+ 6
Royal Ins.	367	+ 12
Sainsbury (J.)	460	+ 15
Simon Eng.	365	+ 7
Stock Conversion	325	+ 10
Thorn EMI	415	+ 15
Turner & Newall	75	+ 5
Tysons (Contractors)	24	+ 6
Viners	7	+ 2
Westland	103	+ 10
Whitbread A	141	+ 5
Yarrow	245	+ 15
Shell Trans.	386	+ 6
Peko-Wallsend	350	+ 25
RTZ	467	+ 25
Stilfontein	866	+ 28
Western Deep	£19½	+ ½

FALLS

Davies & Newman	70	− 15
Jerome (S.)	90	− 8
Tozer Kemsley	68	− 4

CONTENTS

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Lambsdorff may consider resigning

BY JAMES BUCHAN IN BONN

FRESH EVIDENCE of the strains within West Germany's ruling coalition over the budget for 1982 emerged in Bonn yesterday when the Economics Ministry confirmed that Count Otto Lambsdorff, Economics Minister, would seriously consider resigning "under certain circumstances."

These are understood to mean any further squabbling or uncertainty over the budget if, as expected, further holes appear over and above the DM 7.8bn (£1.8bn) deficit which was plugged only with some difficulty last week.

The loss of Count Lambsdorff would be a serious blow to the coalition, and to his own party—the Free Democrats (FDP)—the minor partner in the coalition. However, the Economics Ministry explained yesterday that as yet, Count Lambsdorff had no concrete plans to resign.

Count Lambsdorff is known to be exasperated by the uncertainty over the budget and feels that it has damaged the credibility of the coalition and his own prestige.

In an address to the Bundestag last week, he said it would be difficult for industry and business to follow the constant swings in economic policy. He could understand their feelings, he added.

He is known to have been depressed at his reception by parliamentarians of his own party in connection with the new budget deficit.

He had told the FDP members that he felt it would be necessary to increase the Government's net borrowing requirement, but had received not a single voice in support.

The Minister is also understood to have been saddened by the strident Press criticism of the Government's latest budgetary manoeuvres.

● The heart complaint that has been troubling Herr Hans Matthoeffer, West German Finance Minister, for some time has obliged him to cancel a further series of appointments.

Although Herr Matthoeffer, 61, will not cut down on his commitments in Bonn, he has been advised by his doctors to travel less. He did not attend the meeting of EEC Finance Ministers in London at the weekend.

Discontent growing over Kohl's leadership

BY JONATHAN CARR IN HAMBURG

CLEAR DIFFERENCES over the best strategy to unseat the West German coalition Government are emerging within the opposition Christian Democrat Party (CDU) which begins its congress here today. They imply that Dr Helmut Kohl, the party leader, faces an uphill struggle to keep his position as the man most likely to become Chancellor if Herr Helmut Schmidt's Left-Liberal alliance loses power.

Dr Kohl is certain of an enthusiastic reception from the nearly 800 delegates when he delivers his opening speech but there are growing signs of discontent, none the less.

Over the weekend, Herr Lothar Spaeth, Premier of Baden-Wuerttemberg and one possible rival to Dr Kohl, said the party should demonstrate more strength of leadership. A majority of West Germans felt the Government had made a mess of its economic and financial policy, he said, but still did not think the CDU could master the difficulties either.

Scarcely concealed criticism of his stand on security problems an dthe pacifist movement has also come from Dr Heiner Geissler, the party secretary-general, from the influential youth wing. Dr Geissler wants to underline that the CDU is open for a "critical dialogue" with the young especially with those, often with no party affiliation, who have been demonstrating recently against the arms race. As an experiment, therefore, he has invited about 500 young people—by no means all CDU members—to speak at the Hamburg congress.

Dr Kohl's strategy—broadly speaking—is for the party to demonstrate its solidarity in the face of the sharp controversy within the Government parties and to wait for the Bonn coalition to crumble.

If Dr Kohl fails to unite the party behind this view in Hamburg, then his future looks increasingly bleak. There is certainly no lack of rivals to him waiting in the wings.

True, a recent opinion poll showed that the CDU (together with its Bavarian sister party) would win just over 50 per cent of the vote if a general election were held now. But Dr Kohl has been eager for eight years now and the party has often had excellent showings in opinion polls—but still remains firmly out of power.

● Dr Kohl . . . facing an uphill struggle

Brezhnev to extend his visit by two days

BY JAMES BUCHAN IN BONN

MR LEONID BREZHNEV, the Soviet President, is to extend by two days his long-awaited visit to Bonn later this month. West German officials say that the extension of the visit, now scheduled from November 22-25, is to permit greater flexibility and a less tiring programme for the 74-year-old Soviet leader.

None the less, the longer visit will help Bonn officials to sound out Soviet views on the crucial question of talks on the limitation of intermediate-range nuclear missiles a week before negotiations open on the subject between Moscow and Washington.

The West German Government yesterday was keeping its own counsel over remarks made by Mr Brezhnev and published on Sunday in Der Spiegel, the West German magazine. The Soviet leader claimed there was a rough balance between East and West in intermediate-range missiles. Although Bonn officials argued there was nothing new in the claim, it is in sharp contrast to the Nato view and does not bode very promisingly for the Soviet-U.S. negotiations.

In particular, Bonn has often stressed that it regards the build-up of Soviet missile forces as a threat to the military balance in Europe. As recently as Sunday, the Government confirmed the commitment of Herr Helmut Schmidt, the Chancellor, to the principle of limitation talks with the Soviet Union alongside the stationing of new U.S. missiles in Europe—Nato's so-called "twin track" policy, formulated in 1979.

Submarine's captain questioned by Swedes

By Westerly Christner in Stockholm

SWEDISH NAVAL officers yesterday interrogated the commander of the Soviet submarine which ran aground last week on a restricted area of the Swedish coast. Tugs, meanwhile, pulled the boat off the rocks yesterday in gale force winds.

Captain Piotr Gusin and the submarine's navigation officer were questioned under the protection of temporary personal immunity aboard a Swedish torpedo ship Vastervik yesterday afternoon outside the high security area.

They were questioned in the presence of officials from the Soviet embassy in Stockholm after their Government issued permission only a few hours earlier for Capt Gusin to leave his vessel. Ironically, Mr Caspar Weinberger, the U.S. Defence Secretary, was aboard the Vastervik just a few weeks ago during his European visit.

The submarine was pulled free yesterday at the height of a severe storm. Winds up to 75 knots buffetted the boat causing its officers to broadcast a May Day signal and fire distress flares.

It is now at anchor and has been cordoned off. The Swedes have claimed the sole right to salvage the vessel and have demanded that the Soviet Union foot the bill.

Moscow also gave permission yesterday for the Swedes to board the vessel and inspect navigation equipment, sea charts and watch lists, according to Mr Ola Ullesten, the Foreign Minister. It had thus acceded to most of Sweden's demands, he said.

Defence experts believe, however, that any equipment used for espionage purposes would have been destroyed.

Swedish officials disagreed over what was meant by the term personal immunity for the Russians aboard the submarine. According to Mr Bo Johnson, legal adviser to the Foreign Ministry, this immunity elapsed as soon as the men were returned to their vessel.

The captain, officers and crew could still be arrested on espionage charges if the Swedish investigation of the incident revealed evidence of spying, he said.

Other officials, however, have stated that the Swedish Government saw no advantage in bringing such charges against the Russians.

Central bank eases foreign investment rule

STOCKHOLM — Regulations on direct investments abroad, in force since 1969, have been eased, generally with immediate effect, the Swedish Central Bank has said.

Swedish companies intending to invest directly abroad must still apply for permission, but applications will generally be considered favourably, a bank official stated.

The rule that Swedish companies' direct investments abroad shall be financed by loans raised abroad will still apply, he added.

Applications from now will be scrutinised to see if they are a direct investment or of a portfolio nature, in which case the application will in most cases be rejected, the official went on, adding that foreign exchange controls remain in effect.

The main reason for the relaxation in regulations was to liberalise capital movements slightly.

Interest on accounts held by Swedish companies in foreign currencies at commercial banks for direct investment purposes will henceforth be permitted.

Reuter.

Victory for Walesa in fight to contain Polish strikes

BY CHRISTOPHER BOBINSKI IN WARSAW

MR LECH WALESA, head of Solidarity, won a victory in the union leadership's struggle to contain wildcat strikes when he persuaded strike leaders in Tarnobrzeg yesterday to suspend their action pending talks with the Government.

The development came on the eve of today's meeting of Solidarity's national commission at which the union's presidium will urge that measures be taken against unofficial strikes.

The Tarnobrzeg strike had lasted 11 days and was costing some $4m (£2.1m) a day. Around 100,000 people were idle in what is an important engineering and sulphur mining area.

Mr Stefan Olszowski, a member of the Polish party politburo, has meanwhile reaffirmed the party leadership's interest in reaching agreement with the union.

Mr Olszowski's statement at a party meeting yesterday came just before his departure for the Soviet Union to attend an ideological conference together with Mr Mikhail Suslov, Moscow's chief hardliner.

Such an agreement, according to Mr Olszowski, would be based on last week's proposals made by General Wojciech Jaruzelski, the Polish leader. These suggest bringing more non-party members into positions of influence, and have so far been judged as inadequate by Solidarity.

Other strikes continued yesterday in Zielona Gora and in Zyrardow, while miners at the Sosnowiec colliery in Silesia, on strike for a week, extracted some coal for a local power station which was suffering from shortages.

Mr Walesa told the Tarnobrzeg workers that he supported their action, which was to demand improved food supplies and to rectify local grievances. He said if talks with the authorities produced no results, then the national leadership would approve renewed action.

The strike suspension will strengthen Mr Walesa's position at today's meeting of the union leadership and will bring pressure to bear on strikers in Zielona Gora, where the province wants the dismissal of a collective farm manager, and in Zyrardow, where 12,000 textile workers want full pay for the three weeks of their strike. The Government is offering half pay.

Today's national committee meeting will have to decide on the union's next move in light of the poor progress on Solidarity's main demand for a national economic council.

The meeting could approve "active strikes," which involve the taking over of management and distribution of goods by strike committees.

Army court sparks Spanish row

BY ROBERT GRAHAM IN MADRID

THE DELICATE problem of civilian control of the Spanish military, side-stepped or treated with kid gloves since the abortive February coup, has come into the open as a result of two sentences by a military tribunal.

The sentences, handed out last week in Madrid, concern two incidents, both hgihlighting the contradictions which Spanish democracy confronts in trying to extend the rule of law to the military.

The military tribunal confined Captain Juan Milans del Bosch to barracks for one month and one day for shouting at the bar of one of Madrid's exclusive country clubs that the King was "a useless pig." This was the lightest sentence possible for insulting the King.

In the second sentence, Colonel Alvaro Graino was confined to barracks for two months and a day for writing an article in a Madrid newspaper alleging that the army was inefficiently run and riddled with ultra-conservative elements.

The two sentences would probably have attracted little attention if Capt. Milans del Bosch was not oSFju......... THM AR had not been the son of General Jaime Milams del Bosch, former commander of the third military region, who is being detained for his part in the abortive February coup.

They immediately made front-page news. Editorials attacked the apparent discrepancy in the punishments — especially as a civilian would have faced a much more serious punishment for insulting the king. The article, which received the more severe punishment, would probably have been treated in lighter vein if it had been written by a civilian.

The Government has announced that it will instruct the military prosecutor to appeal against the sentences.

Italy Radicals pick leader

BY RUPERT CORNWELL IN ROME

SIG MARCO PANNELLA yesterday returned to the formal leadership of Italy's left-wing Radical Party to help it present a united, effective front for the next general election

He is currently in the middle of one of his periodic hunger strikes to protest about world hunger. But his political task over the coming months will be to help the Radicals, with their heavy orientation towards civil rights and disarmament, to hold on to, if not improve upon, the 3.4 per cent of the vote they won at the last general election in 1979.

Yugoslavia attacked by Hoxha

By Our Vienna Correspondent

ALBANIA'S leader, Mr Enver Hoxha, has warned neighbouring Yugoslavia that Albania will continue to defend the legitimate rights of 2m "Albanian brothers" living in Yugoslavia.

But he reiterated that Albania had no territorial claims against Yugoslavia, and would not demand border readjustments.

Addressing the congress of the ruling Albanian Communist Party, Mr Hoxha, 73, complained that the late Marshal Tito had promised to unite the province of Kosovo and other regions inhabited mainly by Albanians with Albania proper, but that his promise "had never been kept."

Mr Hoxha accused Yugoslavia, and particularly the Serbian leadership, of imposing a "reign of terror" over ethnic Albanians since March and April this year.

The Albanians in Yugoslavia had demanded the status of a republic within the Yugoslavian federation and not unification with Albania, he said. But the Yugoslav leadership had sent tanks to the province instead of "being reasonable."

World opinion should be alarmed about the tragic situation of the Albanians in Yugoslavia, Mr Hoxha added.

He reaffirmed Albania's fiercely independent line, condemning "Soviet, Chinese, Yugoslav and West European revisionism."

Grim outlook for Czech economy

BY PAUL LENDVAI IN VIENNA

TOP CZECHOSLOVAK leaders have warned that the country's economic difficulties are "unprecedented" and that the economy will worsen in the next year.

Addressing last week's plenary meeting of the central committee of the Communist Party, President Gustav Husak, Mr Ljubomir Strougal, the Prime Minister, and other high-ranking officials revealed some sombre facts.

Industry in the first nine months failed to reach planned targets, almost three-quarters of the construction enterprises did not fulfil the plan and productivity in this key branch was 1.7 per cent lower than last year.

This year's grain crop, they said, fell 1.6m tones short. As a result of the "serious shortfalls" the Government has decided to import 500,000 tons of additional feed grain in order to ensure meat supplies

During the past five years, Czechoslovakia has imported 1.5m tons of grain annually. However, consumers have been told that grain imports will be substantially lower and that investments will not be increased.

For the first time, raw materials, fuel and energy resources are to be kept at last year's level. This means that consumption of fuel oil and other petroleum products will have to be reduced by 12-13 per cent next year. Housing construction will be affected because of the difficulty of heating new buildings.

Czechoslovakia imports 40 per cent of its energy. Mr Strougal revealed for the first time that Romania has halted supplies of electricity to Czechoslovakia but he gave no reasons. He added that coal imports from Poland are also running below contracted levels.

Both Mr Strougal and other speakers stressed that the gap between available supplies and domestic demand cannot be covered through imports financed through foreign credits. "Although our total indebtedness is not out of proportion compared to the economic strength of our country, we cannot take any risks. Not only for economic or financial reasons but particularly for political reasons we must seek the maximum possible equilibrium in our relations with the capitalist states."

Tory bid for Euro-parliament post

BY JOHN WYLES IN BRUSSELS

THE LEADER of the Conservative Party-dominated European Democratic Group, Sir James Scott-Hopkins, will launch his campaign this week to become the first British president of the European Parliament.

A veteran of Strasbourg politics, Sir James will need to pull off something of a bargaining coup if he is to come within sight of victory in the Parliamentary elections next January.

This is because the centre-right of the Parliament already has one candidate to replace the French Liberal Mme Simone Veil who is retiring after two-and-a-half years. He is Herr Egon Klepsch, leader of the European People's Party, a largely Christian Democrat group which is numerically larger than Sir James's group (117 against 63) with a membership drawn from a bigger base of community countries.

Sir James will be competing with Herr Klepsch in the backstairs bargaining for the support of the 39 Liberals who are expected to back the West German as a quid pro quo for Christian Democrat votes given to Mme Veil in July, 1979.

Victory goes to the candidate with an absolute majority of votes cast and neither Sir James nor Herr Klepsch could carry a first ballot if, as expected, the Socialist group puts up a candidate.

Unity of Spain's Socialist Party in doubt

Gonzalez changes image

BY ROBERT GRAHAM IN MADRID

POLITICS IN Spain are more about personalities than parties. This applies as much to the parties of the Left as to the Right and Centre. It was especially evident last month at the 29th Congress of the Socialist Workers' Party which leads the opposition in parliament.

The dominant figure in the Congress was Sr Felipe Gonzalez, the party secretary, who was re-elected with an embarrassing East European style unanimity. The party is now almost completely in his mould.

Sr Alfonso Guerra, his chief aide, further increased his own grip over the party apparatus. Between them they are now pressing ahead with the establishment of a super-executive to act as the chief controlling body of the party. Added to this, most of the new executive are in the same age group as Sr Gonzalez, who has been party leader since 1974 and is 39.

The image that Sr Gonzalez put forward was of a moderate but progressive politican, conscious of the needs of state. He was offering himself as Spain's next prospective Prime Minister, fully in control of his own party.

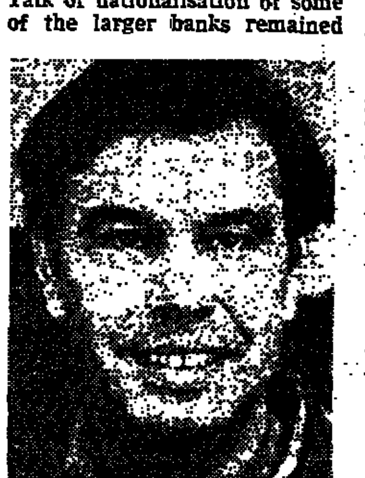
This contrasts with his image at the last congress in May, 1979, when Sr Gonzalez was not in full command of the party. The authoritarian way in which Sr Guerra sought to manage the party apparatus and the moderate Socialism of Sr Gonzalez aroused the criticism of nearly a quarter of the delegates, mostly from the party's Left wing, at the previous congress. The so-called critical wing argued that the party was betraying the Marxist orientation of Sr Paulo Iglesias, the party's founder.

As a result, Sr Gonzalez staged a theatrical walkout. He told the 28th congress that either the members had confidence in him and the way he wanted to run the party, or they find another leader. Since his critics had merely wanted him to change his ways a little and had no other leader in mind, it was not difficult for Sr Gonzalez to return to the leadership after an extraordinary congress four months later.

However, Sr Gonzalez has made little concession to this radical Left-wing group. In protest, they stayed away from the congress. Thus in one important respect the appearance of party unity last month rings false. Significant internal tensions exist. They are bound to resurface with Sr Guerra's increased power and the continued moderate line of Sr Gonzalez.

The congress either treated shallowly or ignored many key national issues. For instance, it trod delicately on the question of regional autonomy, in which the Socialists have been co-operating with the Government. An analysis of how and why disgruntled elements within the military carried out an abortive coup in February was lacking. So, indeed, was the subdued role of Socialist ideology in the light of the coup.

On economic matters, the party's attitude was left vague. Sr Gonzalez made it clear, however, that if the Socialists came to power there would not be nationalisations on the same scale as in France. The main emphasis would be on making the existing system work better. Talk of nationalisation of some of the larger banks remained in the air. The sole state takeover he referred to in detail has been on the books for at least three years—nationalisation of the high tension electricity grid.



Sr Gonzalez: offering himself as next Prime Minister

The congress somewhat guiltily conceded that the trade unions were not being paid enough attention. But it did little to boost the power of the Socialist union (UGT) within the party. The UGT has complained that the party is essentially run by middle class members and is middle class in orientation, even though it is called the Spanish Socialist Workers' Party.

Finally, Sr Gonzalez appeared to be turning his back completely on the Communist Party, even though the two parties have a pact to run municipal councils jointly, when he offered to include independents in the Socialists' lists at the next General Election.

All this underlines Sr Gonzalez's belief that the votes needed to bring his party to power are in the centre or marginally centre left. The ruling Union de Centro Democratico (UCD) has also competed for these votes. In the March 1979 elections, UCD got 35 per cent of the vote against the Socialists' 29 per cent.

National opinion polls show a steady rise of Socialist popularity and a decline of support for the UCD. With the recent Socialist victories in France and Greece, there is a growing presumption — even within the UCD—that the Socialists could triumph in Spain at the next General Election in 1983.

But to do this, the Socialists must perform better in regions where there are strong local groupings.

In the Basque country and Catalonia, the Socialist vote has been seriously eroded by nationalist parties and to a lesser extent in Andalucia. In the recent elections to the Galician parliament, the Socialists' performance was not that of a party about to win a nationwide victory.

The Socialists will also have to break clearly with the politics of consensus practised since the abortive coup. The major government policies since the coup, rationalising autonomy and establishing of a social contract for 1982, have carried Socialist approval.

This consensus is already being strained by the Socialists' opposition to the Government's proposal to join the North Atlantic Treaty Organisation. At the same time, the Government broke a basic plank of the consensus when it sacked Sr Fernando Castedo, the director-general of the State-run television network, without the Socialists' agreement. There had been an informal agreement that television should be controlled on a bi-partisan basis.

Moreover, the choice of Sr Carlos Robles Piquer, a brother-in-law of Sr Manuel Fraga, leader of the Right-wing Alianza Popular, as his successor, is scarcely designed to keep the UCD and the Socialists together.

Paris pledges 'new style' for African summit

BY MARK WEBSTER IN PARIS

FRANCE'S SOCIALIST Government has promised to show a "new style" in its relations with Africa during the two-day Franco-African summit which opens in Paris today. However, most observers expect that only the style will be new and not the substance.

The meeting will be the first big gathering of African leaders since President Francois Mitterrand came to power six months ago. It is likely to confirm that, although the French Government has rejected the openly interventionist Africa policy of its predecessor, it intends to reinforce its substantial military and economic presence on the continent.

President Goukouni Oueddei of Chad arrived in Paris yesterday for the summit after the main Chadian rebel guerrilla leader, Mr Hissein Habre, announced that he was suspending all military activity in the east of the country.

President Goukouni required Libyan assistance to defeat Mr Habre in December 1980. Since then Mr Habre's Northern Armed Forces (FAN) have been raiding eastern Chad from bases in Sudan where they enjoy official support.

After confused reports last week that President Goukouni had been overthrown in a coup, he has apparently reinforced his position as the head of the Transitional Government of National Unity set up in August 1979 and has called for the withdrawal of 10,000 Libyan troops by the end of the year.

Credible force

But a Libyan withdrawal remains conditional on President Goukouni's ability to put together a credible pan-African peace-keeping force. So far, only Nigeria and Senegal have promised troops and France is likely to give logistical and financial support.

Chad is bound to be one of the most hotly debated topics at the summit, which will be attended by 29 countries, including 20 heads of state. The meeting will offer President Francois Mitterrand his first chance to address such a large gathering of African leaders since he came to power six months ago.

Since then the Government has been working hard to reassure African leaders that the change of administration does not mean a radical shift in policy. French troops will stay. French companies will continue to invest and the French aid budget will be increased.

Yet there has been a subtle change of emphasis which has already generated goodwill for the Government. "It is a question of de-colonialising our relations with Africa," said M Jean-Pierre Cot, the Minister of Co-operation. "But to go from rhetoric to policy is not easy."

As a first step, President Mitterrand has promised to renegotiate joint defence agreements to make them more favourable towards Africa. His Government has been outspoken on the issue of southern Africa and is in the forefront of the Western powers calling for the independence of Namibia.

But the harsh winds of reality have done much to wither the impact of earlier promises. Nowhere is the change more evident than in relations between France and President Mobutu Sese Seko of Zaire who is also attending the summit.

President Mobutu has been bitterly criticised by the Socialists for the brutality of his regime and the intervention of French paratroopers to save him from invading rebels in 1979 was denounced as the height of French neo-colonialism.

Good reception

President Mobuto last month made his first visit to Paris since the change of government and, in spite of the active protests of Mr Nguza Karl I Bond, the former Zaire Prime Minister the President received a good reception from the Elysee. The Paris Government agreed that the 80 French soldiers on a training mission in Zaire should stay and French financial help would continue.

President Mitterrand's Government has had to face the fact that the French presence in some parts of Africa is so overwhelming that even the smallest change of policy can have considerable effect. There are some 7,300 French troops on black African soil, more than 200,000 civilians and the trade surplus is running at over $1bn a year in France's favour.

M Pierre Vauzelle, the Elysee spokesman, said the summit would deal with ways and means of increasing all forms of French aid to Africa while respecting "the economic, military and cultural independence" of the countries concerned. "Franco - Africa co-operation should be an example. The page of neo-colonialism has been turned," he said.

The Government is clearly hoping to put that message across during the summit which will have a record number of countries attending. The fact that 29 countries will be represented, 20 of them by their heads of state, is being taken as an indication of the amount of goodwill towards the French Government in Africa. The question being asked is whether President Mitterrand's administration will be able to capitalise on it.

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Pretoria increases customs payments to black partners

BY BERNARD SIMON IN JOHANNESBURG

SOUTH AFRICA has agreed to substantial increases in the amounts it pays its partners in the Southern African Customs Union — Botswana, Lesotho and Swaziland — in lieu of customs duties.

The move is seen as a direct South African response to the efforts by the black states of southern Africa to reduce their dependence on Pretoria. It will actually increase their ties, because the customs union dues are a major source of revenue.

Officials of the four countries met secretly in Pretoria last month to put the finishing touches to changes in the revenue-sharing formula contained in the customs agreement. The revised formula will now be submitted to the four countries' Cabinets for approval.

Details of the formula have not been disclosed, but it is understood that it will increase the three black countries' annual receipts from the customs pool by more than 10 per cent. A senior official of the Botswana Department of Finance confirmed that the new formula was aimed at "improving the situation".

While the three countries hope the formula will be applied from the middle of next year, South Africa is understood to have warned them that strains on its budget resources (mainly as a result of the effect of the lower gold price on the gold mines' tax payments) may delay implementation.

Receipts from the customs union are the largest single source of revenue for Swaziland and Lesotho and the second largest (after mining taxes) for Botswana.

Botswana's share of the pool is expected to total 102m pula (£62m) under the existing formula next year. Swaziland's share is budgeted at 62.7m rand (£35.7m). Lesotho received 72m rand in 1979, three quarters of total revenue.

The three countries are, however, members of the Southern African Development Co-ordinating Council which aims to loosen the dependence of black-ruled countries in the region on South Africa.

South Africa's eagerness to counteract the council in favour of its own "constellation of southern African States" policy has almost certainly played a role in its decision to agree to higher payments.

South Africa is using rebels in Mozambique to undermine the efforts of the black states to reduce trade and transport ties with the republic, a senior Mozambique official said in London yesterday, Quentin Peel reports. Sr Fernando Honwana, special assistant to President Samora Machel, said the main targets of the dissident Mozambique Resistance Movement were communications links with Zimbabwe and Malawi. "The strategic objective is obviously to prevent Mozambique providing an alternative to trade and transport links through South Africa."

Victoria orders second power charges inquiry

MELBOURNE—The state government in Victoria is seeking a second opinion on increases in long-term electricity tariffs which have caused Alcoa of Australia to announce that it is re-examining plans for its aluminium smelter project at Portland in the west of the state.

Mr Lindsay Thompson, the state Premier, said the Government-sponsored Cochrane inquiry *into the impact of State* Electricity Commission tariffs on Alcoa had been unable to resolve the fundamental issue of the long-term appropriateness of the tariffs.

Mr Thompson said a firm of chartered accountants, Ernst and Whinney, had been appointed to submit proposals by November 16.

The Cochrane inquiry began in mid-August after electricity tariff increases were announced and Alcoa, facing increases averaging 25 per cent said it was re-examining the economic viability of the smelter project.
Reuter

Reagan woos moderate camp

By Reginald Dale in Washington

PRESIDENT REAGAN is now seeking to draw moderate Arab leaders into the Camp David peace process between Israel and Egypt, having seen the $8.5bn (£4.7bn) Saudi aircraft deal safely through Congress.

Despite signs of U.S. interest in the eight-point peace plan put forward by Prince Fahd of Saudi Arabia, Mr Reagan stressed in a magazine interview published yesterday that he wanted to press ahead with Camp David.

"I think it is a case now of spreading from only one country that has made peace with Israel to other Arab States, and working out, mutually and with all of them, a fair solution to the Palestinian question," he said.

Mr Reagan started his persuasive efforts yesterday in talks with King Hussein of Jordan, who began a three-day visit to Washington. U.S. officials did not expect King Hussein to be brought round fully, but they hoped for the *opening of a dialogue at* least.

The U.S. hope is that moderate Arab States will be encouraged to view Camp David with less suspicion both by the sale of sophisticated airborne warning and control aircraft to Saudi Arabia and by the American interest in the Saudi peace plan.

In yesterday's interview, Mr Reagan said that the Saudis had "made it very plain they want to be co-operative." Saudi Arabia wanted stability in the Middle East, and had demonstrated that fact with its willingness to participate in bringing about the recent ceasefire in the Lebanon.

Reuter adds: Prince Abdullah Ibn Abdul Aziz of Saudi Arabia said in an interview published yesterday that the U.S. and its alliance with Israel *posed a greater* danger to the Middle East than the Soviet Union.

Begin attacks Carrington over Palestinians

BY DAVID LENNON IN TEL AVIV

ISRAEL'S Prime Minister, Mr Menahem Begin, yesterday attacked Lord Carrington, the UK Foreign Secretary, for promising the Arab states European support for the establishment of a Palestinian state in the occupied West Bank and Gaza Strip.

"Lord Carrington can run from one Arab country to another." Mr Begin told the opening session of the new Knesset (Israeli Parliament), but nothing will come of all his undertakings.

"He apparently forgot, perhaps out of hereditary imperialism, that without the consent of Israel, no agreement will be achieved in the Middle East."

Lord Carrington, president of the European Community, leaves London today for a visit to Saudi Arabia to clarify, among other points, the specific intentions contained in the eight-point Mid-east peace plan proposed by Crown Prince Fahd in August.

Mr Begin, who again rejected the Saudi peace plan, said the European initiative and the Venice declaration were totally unacceptable to Israel.

"The European initiative and the Venice declaration have no reality," he went on. "Israel is a small country, but it is 50 per cent of every agreement in the Middle East between our people and the other people living here."

Mr Begin recommended that Lord Carrington should put his talents to more effective use, and use his energy to pursue "just targets."

Declaring that the Saudi peace plan was a recipe for Israel's destruction, the Premier called on the Knesset to send an inter-party delegation to the U.S. to explain Israel's opposition to American support for the plan, and to demonstrate Israeli unity on this issue.

With only a narrow parliamentary majority, of one or perhaps two seats, the coalition can expect a rough time in the new House elected at the end of June.

Hints of what is to come were contained in the speech of Mr Shimon Peres, leader of the opposition Labour Party, who castigated the Government policy on the Palestinian issue for being "riddled with contradictions."

He warned that a consistent policy was necessary because pressure was beginning to build up on the Palestinian issue, with considerable Western support likely for the Saudi plan, which he described as nothing but a reiteration of extremist Arab positions.

The Government's strivings to achieve a partial agreement with Egypt on Palestinian autonomy might "at best produce a piece of paper."

But this would not be an adequate way to hold back the pressures for Israeli concessions.

Fahd criticises Arab way of handling the crisis

JEDDAH—Crown Prince Fahd of Saudi Arabia yesterday criticised the Arab way of handling the 33-year-old Middle East crisis as one of "rejection and reaction, rather than action."

Answering critics of his eight-point Mid-East peace blueprint, Prince Fahd told the official Saudi Press Agency that the Arabs have vested undue confidence in the fact that "right is on our side and that the world would uphold conscience and force the Zionist aggressors to return the (occupied) territory to their legitimate owners."

His blueprint for peace calls for establishing an independent Palestinian state on the West Bank of Jordan and the Gaza Strip, and concedes Israel's right to live in peace.

Prince Fahd said the U.S.-sponsored Camp David peace agreement between Egypt and Israel was rejected in a "rare show of unanimity" by the Arab states, but the Arab political "vision remained restricted to trying to contain Camp David, without producing an alternative to it."

Initial reaction from the European Economic Community, the Far East and the Third World indicated that the Saudi peace plan was attracting attention to a possible alternative, he added.
AP

Gulf states seek reconciliation

BY OUR CAIRO CORRESPONDENT

QATAR and the United Arab Emirates have been trying secretly to bring about reconciliation between Egypt and Saudi Arabia, according to a report in Mayo, the weekly newspaper of Egypt's ruling National Democratic Party.

The contacts are reported to have been taking place in the context of the Gulf Co-operation Council, of which Saudi Arabia is a member with Oman, Kuwait, the UAE, Qatar and Bahrain.

The newspaper did not say where the contacts have been taking place but it linked them with a statement attributed in Bonn recently to Crown Prince Fahd of Saudi Arabia, favouring support for President Hosni Mubarak of Egypt.

While the contacts have probably taken place either in Egypt or in the Gulf, Mr Mubarak has denied in another publication that secret direct contacts with Saudi Arabia have occurred. He has also made it clear that reconciliation with the Arab world, while welcome, is lower in Egypt's list of priorities than eradicating opposition to his regime by Moslem fundamentalists and dealing with the economy.

Above all, Mr Mubarak has made it plain that he intends to carry on negotiations with Israel about autonomy for the Palestinians and about Israel's final withdrawal from Sinai next April.

The message is that any Arab state which makes its peace with Egypt — only Sudan, Somalia and Oman have full diplomatic relations at present—will do so on the basis of accepting Cairo's peace treaty with Israel.

At the same time, Mr Mubarak has been taking steps to open the way towards a dialogue, by ordering Egyptian newspapers and media to halt attacks on other Arab countries and by announcing that he has ordered some troops' reductions on the border with Libya in the Western Desert.

Little economic leeway for Egypt

BY ANTHONY McDERMOTT IN CAIRO

PRESIDENT HOSNI MUBARAK does not have much economic leeway with which to underpin the political stability he is trying to enforce since the assassination of Mr Anwar Sadat, his predecessor.

According to Dr Suleiman Noureddin, Minister of State for the Economy, Egypt is expecting a balance of payments deficit this year of $500m (£277m)—a steady decline from a peak surplus of $1.5bn (£830m) in 1980.

He told the Financial Times that the deficit could be reduced by postponing some of Egypt's financial commitments —particularly debt repayments —for a year and "by deleting some of the projects which are supposed to be finalised." Dr Noureddin added that Mr Mubarak's problems were compounded by the fact that "for 25 years . . . economic policy was following politics, not the other way round."

Dr Noureddin acknowledged that full attention to the economy had to be a secondary priority. "To (President Mubarak), security and stability is the number one point. But definitely we have to go secondly to meet the urgent needs of the masses."

At the same time, food imports are growing alarmingly. "We never knew." Dr Noureddin said "we were importing so many foodstuffs, dairy products and so on." Egypt's imports of farm products are expected to reach $4.4bn in 1981, an increase of about $1bn on 1980, a total which would constitute more than half of all imports.

Dr Noureddin said that income from the four main foreign currency earners—oil, workers' remittances, Suez Canal dues and tourism—were beginning to increase at a noticeably slower rate than in past years. This would have a major effect on the balance of payments deficit.

Sadat's purge of religious extremists in September and his assassination a month later have hit tourism badly. This sector brought in $800m last year and was hoped to earn $1bn this year.

According to Dr Noureddin, income from tourism "for this month will be at least 50 per cent less. Hotel occupancy was down to "something like 50 or 60 per cent." when it is usually well above 90 per cent, he said. Dr Noureddin hopes that after a month of local calm it will pick up again.

Dr Noureddin was adamant that the liberal "open door" policies initiated by Mr Sadat in 1974 would continue. He said this was essential to attract foreign investment.

One of Mr Mubarak's first actions, he said, had been to tell his economic Ministers to get industrial projects under way. Of these, 150 were awaiting approval by the investment authority. Dr Noureddin said *that Mr Mubarak had also* ordered a rise in the prices of such goods as refrigerators, washing machines and cars.

Mr Mubarak has already spoken about wanting investment, *particularly from abroad*, to be productive and not in short-term profit-making areas.

Hosni Mubarak: getting industrial projects moving

AMERICAN NEWS

Washington wants to interfere less in securities, writes **David Lascelles**

Reagan's financial watchdog bites back

PRESIDENT REAGAN has picked several of his regulators from the ranks of those they must regulate, apparently because he thinks they know best how to run things. One is Mr John Shad, the new chairman of the Securities and Exchange Commission (SEC), who he plucked out of a top job in a large Wall Street stockbrokers to police the U.S. vast and turbulent financial markets. If Mr Reagan wanted someone after his own heart, he chose the right man.

After less than six months in office, Mr Shad has made it clear he thinks the commission's main job is to see that capital formation thrives with the least interference from Washington, not just as a matter of principle but because the success of the Reagan economic plan depends on it.

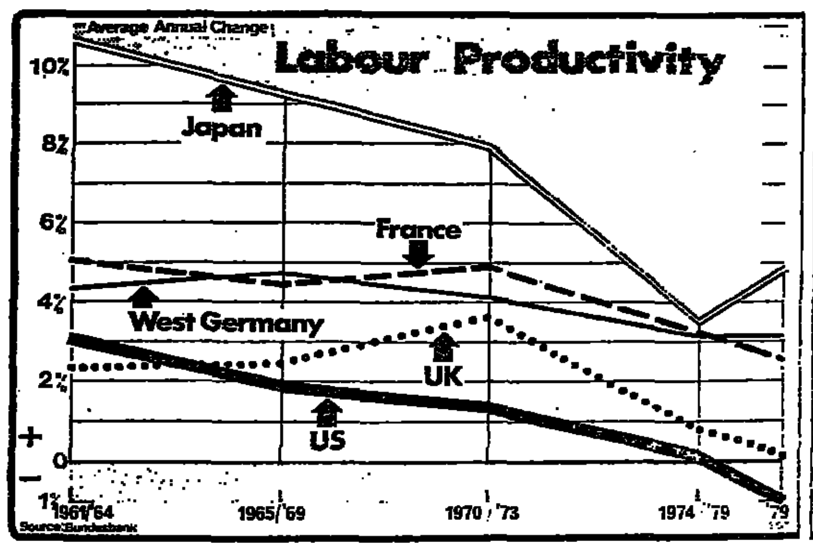
"I firmly believe that industry can regulate itself better than Government can," he told the Financial Times, reciting one of the canons of Reaganism.

With his heavy frame and gruff voice, Mr Shad seems built for the job of a watchdog and his approach has delighted his former stockbroker colleagues. *But he has alarmed* others who fear that like many Reagan-appointed regulators, he may try and push the balance too far towards business.

Mr Shad sees his task more *in terms of wrongs that need to* be righted. Since the last war, he says, the U.S. has done everything it can to obstruct capital formation by slapping on taxes and regulations. As a result, U.S. growth and productivity has slipped from among the highest in the industrialised world to the lowest.

"These trends must be reversed now. I have great confidence in Mr Reagan's programme, an essential element of which is regulatory reform, *said Mr Shad.*

The new chairman of the U.S. Securities and Exchange Commission believes that industry can regulate itself better than the Government can. But some fear he may try to push the balance too far towards business.



John Shad
Chairman of the US Securities & Exchange Commission - Too Many Regulations Bad For Productivity.

He calculates that more than 100 government bodies police the U.S. securities markets, ten of them at a federal level, choking the system with overlapping and conflicting responsibilities. Mr Shad wants to slim down the regulatory bureaucracy and shift some of the responsibility to self-regulating bodies in the private sector, like the Financial Accounting Standards Board (FASB), which sets rules for the accountancy profession. Reporting requirements will also be eased to make it cheaper and easier for borrowers to sell securities.

Not all Mr Shad's labours are directed towards shrinking the regulatory net. He is backing Congressional moves to oblige foreigners who buy U.S. securities including companies involved in takeovers to put up at least half the purchase price *themselves*—as U.S. *residents* must. Although this will only apply to foreigners who buy more than 5 per cent of a company's stock, Mr Shad thinks the bill is necessary to eliminate an unfair advantage that foreigners have enjoyed over U.S. residents in the stock market. However, he admits that enforcing the bill could be difficult.

This drive to cut red tape is not new. It was begun by Mr Shad's predecessor, Mr Harold Williams, the Carter appointee who tactfully stood down when he saw which way the political wind was blowing. In other respects, Mr Shad has departed sharply from the Williams line, which was to extend rather than curtail the SEC's aegis.

Mr Williams believed the commission had a duty to instil in U.S. business a sense of corporate responsibility to society at large. He urged companies to appoint more outside directors and set up audit committees. "I'm not convinced all that is necessary," Mr Shad said.

"I was on 17 boards when I was in Wall Street and I know that a lot of this committee *stuff is make work. And that* means you only get second rate people doing it."

Mr Williams and his hard-driving chief enforcement officer, Mr Stanley Sporkin, also pursued corporate wrongdoers with a relentlessness that many people thought was overdone and *possibly* counter-productive. A case in point was the Foreign Corrupt Practices Act which was passed in the 1970s in response to the pay-off scandals that rocked the U.S. — and rigorously enforced by Mr Sporkin.

Mr Shad said: "Many companies have been inhibited from engaging in valid activities by that law." He has given his backing to a bill which would transfer some of the enforcement responsibilities from the SEC to the Justice Department and make it easier for corporations to account for foreign payments.

He is sensitive to suggestions that he is winding the commission's enforcement side down with everything else. "I would say we are being more aggressive in the pursuit of questionable conduct," said Mr Shad. "But we are going after those *who cheat and lie and steal, not* those who fill out their forms wrong." A few days ago, the commission launched an insider trading action connected with the recent takeover bid by Kuwait for Santa Fe International, a large natural resources company. Santa Fe's *shares showed some unusual* activity in the days before the bid was announced. The commission is out to make an example of the case to scotch suggestions that it is turning a blind eye to mischief.

The SEC also wants to get tougher with foreign buyers of U.S. securities who shelter behind the secrecy laws of European banks. Last week it asked a federal Judge in New York to prohibit Banca della *Svizzera* Italiana *from trading* in the U.S. unless it furnishes the SEC with information about its clients and the securities they are purchasing.

Mr Shad's brief time in office has coincided with tremendous upheavals in the broking business as Wall Street firms have been swallowed up by corporate giants like the Prudential Insurance Company, American Express and Sears Roebuck. *But he* welcomes the trend because it brings new capital to the securities industry.

"It's a feast and famine industry," he said. "Believe me, after 32 years on Wall Street, *I know.*"

Governors' elections seen as test for policies

By Reginald Dale, U.S. Editor, in Washington

TWO ELECTIONS for state governor today, in Virginia and New Jersey, are being widely seen as a test for the policies of President Ronald Reagan, despite the Republican candidates' attempts to focus on local issues.

In both states, the polls show the Democratic candidates ahead, but with their Republican rivals catching up.

In normally Republican Virginia, Democrat Mr Charles Robb, son-in-law of the late President Lyndon Johnson, and Mr Marshall Coleman, for the Republicans, have been conducting an ungentlemanly media and advertising skirmish that Mr Coleman is still confident he will win.

Although Mr Reagan has in an appearance for Mr Coleman, the Virginia campaign has concentrated almost entirely on the personalities of the two candidates, who to many people are indistinguishable. Both are clean-looking former marine officers trying to outdo each other's conservative policies.

In normally Democratic New Jersey, Mr Thomas Kean, the Republican, initially allowed himself to be associated with Mr Reagan's economic policies, but has since backed away.

Vice-President George Bush, who last month described the New Jersey election as a referendum on Mr Reagan's policies, has changed his tune. He now says it is simply a race for governor, the people of New Jersey having registered their approval of Mr Reagan in last year's presidential election.

Mr Kean's Democratic opponent, Mr James Florio, has, however, been trying to tar Mr Kean with the Reaganite brush. He argues that his own election would provide "a reasonable alternative" to Mr Reagan's policies, and has called on voters to *send "an overwhelming* message" to the White House.

David Lascelles writes from New York: The city of New York holds its mayoral elections today with little doubt about the outcome. Mayor Ed Koch, running for a second four-year term, is almost certain to return victorious.

Mr Koch has the endorsement of the Republicans as well as his own party, the Democrats. His only worry, he said yesterday, was that his supporters are so confident they will not bother to vote.

Unlike his six opponents, who have been stomping the election trail, Mr Koch has done hardly any electioneering. He is running on his record as the mayor who brought New York back into the black.

Mexico's oil price rise will boost income

By William Chislett in Mexico City

MEXICO, THE world's fourth largest oil producer, will receive an extra $650,000 (*£352,000*) a *day* as a result of the increase in the price of its benchmark crude by 50 cents to $31.75 a barrel.

Pemex, the State oil monopoly, has raised the price of its light Isthmus oil *by $1.00 to $35* a *barrel and* kept its heavy Maya oil at $28.50 a barrel.

Mexico sells its oil in a 50-50 mixture of light and heavy, which now costs $31.75.

Mexico, which is not a member of the Organisation of Petroleum and Exporting Countries, had to reduce its oil price by $4 a barrel in July. It also made substantial producton cuts.

Congress may defer spending on MX missiles and B-1s

BY DAVID BUCHAN IN WASHINGTON

CONGRESS may respond to the Administration's call for more budget cuts by deferring spending on the MX missile and B-1 bomber.

Under an unusual legislative move, these two key elements of the Reagan nuclear programme may be treated as if they were foreign arms sales like the Awacs (Advance Warning and Control System) radar aircraft deal with Saudi Arabia.

Senator Robert Dole, Republican chairman of the Senate Finance Committee, has said such action on the MX and B-1 was a realistic possibility, if the White House continued to push Congress to prune further the 1981-82 spending levels in order to try to contain the budget deficit.

The unusual proviso written into the 1981-82 defence authorisation Bill by House and Senate negotiators would allow the $1.95bn (£1.08bn) for the MX and the $2.1bn for the B-1 to be blocked by a majority of both Houses, if they acted before November 18.

This deadline gives MX and B-1 opponents on Capitol Hill little time to mobilise their *forces against a President who* has just pulled off the Awacs sale at greater odds and who has put the MX and B-1 development at the centre of his nuclear rearmament plan.

But approval of the legislative veto *mechanism, hitherto* used only on arms export deals, is a mark of growing doubts about the Reagan nuclear weapons programme.

Specifically, many Congressmen have questioned the wisdom *of all-out funding for the MX,* before the Administration has decided on a final site *for* the new missile.

As a stopgap, Mr Reagan has proposed putting some MXs in fixed silos now housing obsolete Titan rockets. But many experts doubt whether these silos can be strengthened to withstand Soviet attack.

The argument over spending $28bn to build some 100 B-1 bombers turns on the criticism *that they will* prove an expensive and unnecessary stopgap between the existing B-52 bomber fleet and the radar-evading Stealth aircraft, which the Reagan Administration is committed to building for the 1990s.

VW assembly workers accept fresh contract

NEW STANTON, Pennsylvania—Workers at Volkswagen of America's car assembly plant have accepted a *new* 16-month labour contract which brings their wages close to those paid by General Motors and Ford Motor.

Of those voting, 57 per cent approved the new contract.

Both VW and the United Auto Workers' Union had sought to keep the negotiations low-key and attain their own goals without being influenced by the battle over wage concessions *shaping up in Detroit.*

The UAW wanted the pay rate for VW workers to equal that at GM. VW wanted to keep its costs in line with those of its competitors. Both sides appear to have been reasonably successful.

The contract is "a great achievement," Mr Martin Gerber, the UAW's vice-president said. A VW official added: "We think it's a fair and equitable contract."

The contract immediately raises the average assembler's wage to $11.26 an hour, including cost-of-living payments, from $10.76 an hour. An extra 10 cents an hour pay increase will be made next June. The cost-of-living formula has been adjusted as well to provide higher payments later on, in line with GM's formula.

By the contract's March 15 1983 expiration date, VW workers' wages will be "within three or four cents" an hour of those paid to GM workers, a UAW official said.

● By a margin of more than ten to one, steelworkers employed by Timken Steel agreed to contract concessions in return for the company agreeing to build a $500m mill near Timken's Gambrinus works, Colombus, Ohio, *union* officials announced.

Mr Harry Mayfield, director of the United Steelworkers of America's District 27, said the final total vote was 3,446—334 in favour of the contract package.

AP-DJ

Australia decides to maintain motor industry protection

BY PATRICIA NEWBY IN CANBERRA

AUSTRALIA has decided not to make major changes to the levels of protection applying to the motor vehicle industry after 1984.

The decision has serious implications for the general review of the tariff structure which is being conducted by the Industries' Assistance Commission.

By *committing itself to a high* protection regime on motor vehicles in addition to the commitment to the highly protected footwear, clothing and textiles industries last year, the Government has virtually pre-empted the IAC's general review which the Government requested this April.

The motor vehicle decision, which came as a blow to anti-protection forces in Australia including a substantial chunk of the Government's backbench, was conveyed in person to MPs by Mr Malcolm Fraser, the Prime Minister, at a meeting last week.

Full details of the decision will not be announced until parliament goes into recess this week for the summer.

The only concession to the anti-protection lobby is an extension of the export credits scheme for the motor vehicle industry. The scheme enables the five local manufacturers General Motors-Holden, Ford, Toyota, Nissan and Mitsubishi to earn credits by exporting components, engines or finished vehicles.

They then use the credits to buy imported components, usually items such as transmissions which are much more expensive to manufacture in Australia than to import from countries like Japan.

Mr Fraser told members of the coalition Government that cabinet had decided in principle to maintain the existing system which guarantees the local manufacturers eight per cent of the Australian automobile market through tariffs and quantitative restrictions.

The decision follows one of the most intense lobbying campaigns ever seen in Australia in which the motor vehicle manufacturers warned that 250,000 jobs would be lost if any attempt was made to dismantle the tariff and non-tariff regime.

Motor vehicles are subject to a 60 per cent tariff and the number allowed to enter the country restricted by a quota system to 20 per cent of the market.

Alain Cass and **Colina MacDougall**, recently in Baoshan, find little activity at the steelworks

Peking's monument to inefficiency

WEARY OFFICIALS at the Baoshan steelworks, once the centrepiece of China's modernisation strategy, say that 50,000 workers are engaged in the construction of this ill-starred project.

Nearly three years after work began on the greenfield site near Shanghai, this is not evident. The skyline is broken by idle cranes. Thousands of unopened crates are stacked outside warehouses packed with precision equipment, which will not be used for at least *three years*.

The only sign of consistent activity at this monument to the inefficiency of Chinese planners is at the blast furnace site, where the main structure is threequarters finished.

Baoshan was conceived as a major component of China's 1978 programme to double steel capacity by 1985 and reach the forefront of the world's industrial nations by the end of the century. Baoshan's output was to have been 6.7m tonnes of steel a year—more than one-fifth of China's present capacity.

Since then, Peking has realised that it can neither afford nor digest huge quantities of foreign technology in one bite. A chronic power shortage, limited infrastructure, scarce foreign exchange, a glut of crude steel and the need to raise living standards have led to the wholesale abandonment of the 1978 plan.

Baoshan escaped the axe in 1978, but by 1980—when the full impact of China's economic problems was evident—the leadership cancelled Baoshan's second stage, the major part of its steel finishing capacity.

The project has been controversial, apparently dividing the leadership, distorting the economy and shaking the world business community's confidence in China's reliability.

Officials already concede that Baoshan will need a second blast furnace within four to five years of completion.

After eight months of inactivity, work is slowly resuming on the site and compensation is being agreed with foreign contractors. Officials at the complex speak, albeit uncertainly, of the first steel slabs coming off the production line in 1985.

The first phase of the project is designed to produce 3m tons of crude steel and 500,000 tonnes of seamless steel tubes, half of which is destined for China's young offshore oil industry.

The cancelled plans for stage two included a second blast furnace, a 2.1m tonne capacity cold rolling mill and a 1.65m tonne hot strip mill.

Compensation for the cancelled hot strip mill has been agreed with Japan's Mitsubishi. The Chinese put this at 11 per cent of the original contract price of approximately $300m (£166m). Schloeman-Siemag, the West German contractor for the cold rolling mill, is still negotiating. Four smaller contractors have settled for 8.5 per cent of the full contract price.

The auxiliary pier at Baoshan port will be ready to supply coal in 1982. Asked about the main pier one official replied: Chinese managers on the site are uncertain over how long the bigger projects will take. Peking appears to be rationing funds and the management has to go cap in hand to finance each stage. "The more we get, the sooner it will be completed," an official said.

Baoshan, which is probably the biggest single project in the country's history, was approved and put into effect with almost unseemly haste under Mao Tse Tung's chosen heir, the now demoted Hua Guofeng, with little apparent thought for the consequences to the steel industry and the economy.

The successful struggle at the top, led by Deng Xiaoping, to unseat Hua from the chairmanship of the Communist Party was partly focused on the split between those who favoured large industrial projects, and those who advocated developing consumer industries and upgrading China's heavy industrial base.

China's steel industry has been in trouble since the 1950s because of surplus crude production and not enough high grade iron ore or steel finishing facilities. Baoshan was originally conceived in part as an answer *to these problems*. It was designed to use high grade Australian ore and produce badly needed sheet steel.

In their haste to get the project started, China's planners overlooked the inadequacies of the Baoshan site. The Yangtse river mudflats on which it is built required huge quantities of concrete piling to support the weight of the structures, while Baoshan has no deep water port to accommodate bulk carriers from Australia.

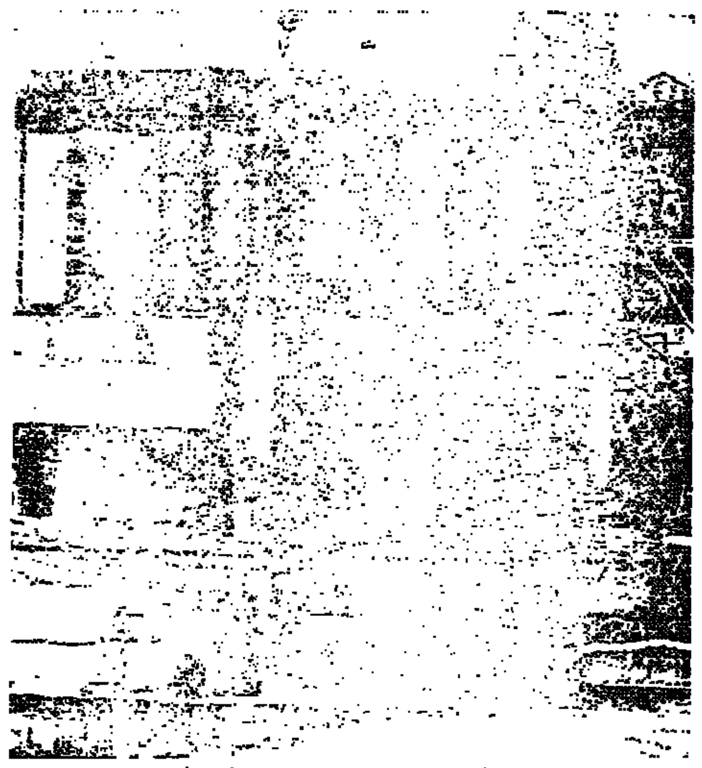
The exact cost of Baoshan's first stage has not been finally calculated. Preliminary official estimates put it at around $8.5bn (£4.7bn). This year, Baoshan is likely to swallow roughly more than 7 per cent of China's capital construction budget.

A battle is likely to be waged over whether Boashan's second phase should be revived. "What China needs is finished steel," said one expert who has followed Baoshan's progress. "Having built stage one at vast expense they may be forced to go ahead in order to benefit from the economies of an integrated complex," he added.

Officials already concede that Baoshan will need a second blast furnace within four to five years of the completion of the first phase. Blast furnaces require major overhauls after such a period.

Although China's first big drive to import Western technology has proved a disaster, Chinese officials and managers seem to have learnt from this bitter experience. The leadership is now more cautious in deciding how to allocate funds.

China's sixth five-year plan will be outlined at the next National People's Congress this month. It remains to be seen whether the lessons of Baoshan will have been fully digested.



Work as it once was at Baoshan

MEA signs £79m deal for five A-310s

By Our World Trade Staff

MIDDLE EAST Airlines (MEA) has signed a contract with Airbus Industrie for the purchase of five A-310 aircraft worth well over $150m (£79m) with options for 14 more, increasing the number of orders and options for the A-300/A-310 to over 500.

The contract was signed in Paris on October 30 by Mr Asad Nasr, chairman and president of MEA and M Roger Beteille, executive vice-president and general manager of Airbus Industrie.

Delivery of the A-310s, powered by Pratt and Whitney JT9D-7R4E engines, will start in the Spring of 1984. The fuel-efficient, twin-engined wide-body jet, seating 207 passengers in the MEA configuration, has proved after extensive studies by the airline to be the aircraft best suited for its plans and requirements.

Middle East Airlines, established in 1945, is one of the leading airlines in the area, and has contributed substantially to the development of the Lebanese economy.

The Airbus order will allow the airline to enhance its contribution.

MEA is thus Airbus Industrie's 42nd customer. The number of orders and options is now 502, of which 324 are for the A-300-255 firm plus 69 options—and 178 for the A-310-88 firm and 90 options.

Lance Keyworth writes from Helsinki: Wartsila, the largest shipbuilding company in Finland, has won an order valued at FM 700m (£86m) from Leif Hoegh, the Norwegian shipping company. The order comprises the delivery in 1983-1984 of three multi-purpose, 41,000 deadweight tonne cargo vessels.

The ships will be designed to carry container, bulk, special and automobile cargoes. The contract takes the value of Wartsila's orders in hand up to FM 6.5bn.

Japan set for £184m contract from Malaysia

By Wong Sulong in Kuala Lumpur

THE MALAYSIAN Government is poised to give the building contract for a $350m (£184m) sponge iron plant to a consortium of Japanese concerns led by Nippon Steel, the world's biggest steel producer.

The Malaysian cabinet, meeting last week, agreed to award the contract to the consortium, and a letter of intent is expected to be signed when Mr Tengku Rithauddeen, the Trade and Industry Minister, visits Tokyo next week.

Mr Datun Musa Hitam, the new Malaysian Deputy Prime Minister, announced the go-ahead for the project over the weekend, but he did not disclose the successful bidder.

The project, to be sited at Kemaman in Trengganu State, is expected to produce 600,000 tonnes of sponge iron and steel billets annually, using the abundant natural gas off Trengganu as energy. The completion date of the plant is 1984-85.

Two other companies, Voest Alpine of Austria, and Ferrostall of West Germany, were in the final running for the project, but failed largely because their bids — at above $500m — were too high.

The Japanese consortium also had the advantage in that it was prepared to take up 30 per cent equity in the project. The remaining 70 per cent will be held by Heavy Industries Corporation of Malaysia (Hicom), a Government agency set up to implemeont the second phase of Malaysia's industrialisation programme.

The Japanese consortium includes Mitsubishi Heavy Industries, Chiyoda Chemical Engineering, Daido and four others.

It will be the second sponge iron plant to be built in Malaysia. Last May, the Sabah State Government in east Malaysia awarded a $190m contract to Voest Alpine to build a similar plant at Labuan.

India criticises developed nations' breach of MFA

BY K. K. SHARMA IN NEW DELHI

DEVELOPED countries were criticised severely yesterday for adopting increasingly protectionist policies on textile imports in violation of the original aims of the Multifibre Arrangement (MFA).

Negotiations on the renewal of the MFA are to be held in Geneva from November 18.

Mr Pranab Mukherjee, India's Commerce Minister, spoke of the "crisis" facing the developing countries and said that "the fact is that the developed countries are hardening their attitudes to the legitimate concerns and aspirations of the developing countries."

The Minister was opening a five-day conference in New Delhi of 27 textile exporting developing countries which hope to adopt a unified strategy for use at the Geneva conference.

The aim of the New Delhi conference is to try to introduce into the new MFA safeguards to prevent abuse of its provisions. Mr Mukherjee said it was time "to halt, if not reverse," the momentum towards increased protectionism in textiles.

The emphasis of the agreement, it is hoped, will be on expansion of market opportunities for developing countries on a product group in which they have a comparative advantage.

"Preaching of the virtues of market mechanism is of no use when developed countries practice the opposite to protect their entrenched sectional interests," Mr Mukherjee said.

The Minister accused the developed countries of adopting more sophisticated forms of protectionism. Thus, developing countries have been, and are being, confronted with demands for the institution of voluntary export restraints, orderly marketing arrangements and safeguards in an increasing number of so-called "sensitive" industries.

Concepts such as market access linked to growth in domestic demand, differentiation of exporting countries on the basis of level of development and sensitivity of products, cumulative market disruption and the so-called social clause would not be in keeping with the objective of a more liberalised trading system, Mr Mukherjee said.

Brij Khindaria in Geneva adds: The possibility of failure to renew the MFA before the year end has been raised for the first time in a statement issued in Geneva by the textile exporting developing countries.

It came in reaction to failure of the Common Market's decision-making council of Ministers to lay down a negotiating mandate for the executive commission.

"Protectionist forces" in the Common Market had prevented a decision by the Council, thereby "setting the stage for an imposed rather than negotiated outcome in variance with the General Agreement on Tariffs and Trade (Gatt)," the statement said.

Big demand for CB radio sets in Britain's high street shops

BY ELAINE WILLIAMS

the rtnuoc ,eve nwhey a§ AON CITIZEN'S BAND radio became legal in the UK yesterday and high street shops reported a large volume of sales.

Rumbelows, part of the *Thorn-EMI group*, expects to sell nearly 6,000 sets in the first week and some outlets are already out of stock. The high street chain will place extra orders with its Far East suppliers to meet the demand.

Sales estimates for CB radio sets range from 1m to 3m in the first year. *Argos, the discount* chain group, has ordered 75,000 sets from Amstrad which it believes will be sold before Christmas.

CB equipment costs between £60 and £100. There are three basic sets: A walkie-talkie carried in the hand, a battery operated set for cars and larger mains sets for the home.

Most sets are made in the Far East which has the capacity to manufacture in large volumes and can gear production quickly.

But there is still dissatisfaction among the existing 1m or so illegal CB-users who operate on the 27MHz AM (amplitude modulated) frequency band which is banned in the UK but is used in the U.S. and in Europe.

The new UK service operates on 27 MHz FM (frequency modulated) in a slightly different part of the frequency band. It allows 40 individual channels for communication instead of 20 on the AM system.

AM users are disappointed by the government's refusal to legalise AM claiming that Britain is out of tune with the rest of Europe which is working towards a common standard for CB.

Lobbyists for the illegal AM system says that when a standard is agreed Britain will be unable to comply with it. Many illegal users say they will not buy new equipment even though the government has warned that it will continue to prosecute users of AM sets.

The Government chose FM rather than AM because the Home Office said this would cause the least interference to television sets and other users of the 27MHz band, such as radio-controlled models and radio pagers.

Illegal AM users caused 3,600 complaints to the House Office of interference on radio and television in September alone. Model aircraft have already been allocated a new frequency band because of the interference problem.

Professional suppliers of paging systems asked the government last month to allocate new transmitting frequencies for hospital paging. They say that CB sets will interfere with pagers.

The reason is that selective paging operates on 27MHz FM and AM. There are more than 4,000 systems operating in the UK with about 100,000 users conected to them. They are used to locate personnel within a building by bleeping pocket receivers.

Buzzing about with Bumble Bee on the legal Citizen's Band

By Arthur (breaker, breaker) Sandles

PERHAPS IT was my handle ("City Pink"), which hardly has the necessary macho ring about it, or perhaps because my "rig" was clamped to the top of a metal filing cabinet rather than the roof of some gas-guzzling virility symbol. But yesterday was not a good *first day on air for licence* holder No. 555293.

My breaker companion, Bumble Bee, had rather more success.

Bumble and I buzzed around the new legal 27 Mhz CB channels trying to find new friends.

Thus we spent our day giving our 20s (our locations) and reporting on readability (at best you are "wall to wall"). Enthusiasts for the old (and illegal) AM frequencies tell me that the fun is disappearing already.

"They are speaking in plain language," said one AM buff sadly.

Until now the CB pirates played airwaves games with the Post Office detectives, using North American euphemisms.

While the rest of the world has been in the CB business for years, the British have come both late and gingerly.

"A lot of people were put off by the fact that it was illegal and because of the strange language that was used," says market leader Amstrad.

Actually to grasp the mike and blurt: "Breaker, breaker, One-Four. Copy?" takes determination.

Eventually, you gather confidence. I am delighted, for example, to hear that Moonshine is going legal.

Listen as I might, I heard no reports of central London traffic jams; no rescue attempts no thirty-fours (calls for help).

But perhaps in the latter case I did not dally long enough. An eager rival was once more struggling to eyeball (meet) my companion Bumble Bee. In plain language, however, she was telling him to buzz off.

Service in nationalised industries criticised

THE National Consumer Council yesterday repeated its criticisms of the standard of service in Britain's nationalised industries.

Mr Michael Shanks, the NCC's chairman, told a business conference at the new Barbican conference centre that consumer surveys had shown the nationalised industries produced "smouldering discontent, involving millions of people." He warned that the nationalised industries would ignore this discontent at their peril.

The NCC recently made wide-ranging criticisms of the standard of service and price levels in the nationalised industries, although the council was subsequently itself criticised for its comments.

Plan to automate *meter reading*

EXPERIMENTS will take place in Milton Keynes next year which may eliminate the need for gas and electricity inspectors to visit homes to take meter readings.

Meters which automatically transmit readings to a central billing computer will be installed in 200 houses. The first 94 houses will be connected by June 1982.

New ticket system

A BRITISH RAIL ticket system which does away with collectors began in northern Scotland yesterday. Tickets are checked on the train by a guard and anyone caught without a ticket will have to pay a £1 fine and the fare.

Stations in the west country will join the experiment in January. Fraudulent travel is estimated to cost BR £16m a year.

Nightie boom

THE BOOM in luxury night dresses costing up to £140 is so great that the Janet Reger factory at Wirksworth, Derbyshire, has had to recruit 53 extra staff. Despite the recession the company is rapidly expanding and plans its first foreign store in West Germany.

Moy Vandervell to cease trading 'while profitable'

BY CHRISTINE MOIR

MOY VANDERVELL, a medium-sized stockbroking firm, will cease to trade on December 4 because its five partners think there are "more profitable ways of earning a living."

The decision highlights the problems facing most of the *medium-sized firms* in the stockmarket which lack specialist profit centres.

High fixed costs, low turnover in the market and the tendency of the investing institutions to place their business with a limited number of firms offering specialist services are taking their toll of the middling firms.

Moy Vandervell is profitable at the moment. The partnership said the year to June was a record one for profits and, even in the last quarter, the results were strong.

But it said although it can "see profits for the foreseeable future," the longer-term is more clouded. The partners said: "We have decided to cease trading while we are still profitable."

The firm has suffered a number of changes in the partnership in the past year. Mr Geoffrey Vandervell retired as senior partner last December. Two more partners left the firm in June. Now another partner wants to retire, and one more intends to move out of stockbroking into investment management.

This left the remaining partners with the need to buy out the shares of former colleagues, so making long-term personal investments in the firm and stockbroking generally.

Prospects for a firm of the size of Moy Vandervell seemed "too unclear" to warrant such an investment, one of the partners said yesterday, "so we decided to cease trading while we were still profitable."

Three of the partners and a "number of the staff" of about 50 will seek jobs with other broking firms.

Sex bias alleged over 'female ailments'

By Eric Short

THE HEARING against Legal and General Assurance Society, a leading insurance company over alleged sex discrimination practices under one of its insurance policies has been adjourned by South London Industrial Tribunal to enable the company to call an actuary as witness.

The case is brought by Mrs June Almeida, of Leslie Park Road, Croydon, against her former employer, Stuart Cabeldu, a Wimbledon firm of management consultants, as first respondent, and Legal and General as second. Mrs Almeida worked as a telephone sales clerk until March.

The claim relates to a group sickness policy issued by Legal and General to Stuart Cabeldu under which benefits are said to be excluded for "ailments peculiar to the female sex."

This, claims Mrs Almeida, infringed the 1975 Sex Discrimination Act. Mrs Almeida is backed by the Equal Opportunities Commission.

Mr Christopher Carr, for Legal and General, told the tribunal that the case was of paramount importance to the insurance business.

It had become apparent in the late stages of preparation that it would be necessary to call an *actuary as witness. The impor*tance of the case, combined with the nature of the issues, made the expert assistance of an actuary of very great importance, he said.

Mr Frederick Reynold, for Mrs Almeida, resisted the application for an adjournment.

He said that it was extraordinary, on any view, that it had become apparent only at this late stage that Legal and General's case would be assisted by actuarial evidence.

The tribunal granted the adjournment on grounds of the importance of the issues and the desirability of having all the facts recorded for subsequent courts to consider. No date was fixed for a resumption of the hearing.

Woolworth moves to sell sites in areas yielding low profits

FINANCIAL TIMES REPORTER

THE F W WOOLWORTH stores *chain is pressing ahead with its* plans to sell prime High Street sites which are not pulling their weight

The store chain made clear at its annual general meeting earlier this year that "areas of low profitability" would be eliminated and that this included closing down some stores. Last month, Woolworth put up for sale its flagship store in London's Oxford Street which has more than 70,000 sq ft of selling space, at a price over £17m.

The company is also under*stood to have put on the market* several other stores including its large store in Argyll Street, Glasgow. *The total raised from* selling the stores could reach £30m.

Woolworth maintains that the property sale is part of its overall strategy in the depressed High Street conditions and has no connection with its £20.1m cash acquisition recently of the Dodge City DIY retail chain.

Woolworth has more than 1,000 High Street sites worth almost £500m.

However, the company has *found it increasingly difficult to* find a successful trading formula to meet the problems caused by the recession and changing patterns of retail trading.

In the half year to July 31, 1981, Woolworth reported an interim pre-tax loss of £1.48m, compared with a profit of £291,000 in the same period last year. In the first half of the year, it produced a surplus of £855,000 on property disposals, excluding sale and leaseback of properties.

Law on estate agents to take effect next May

BY MICHAEL CASSELL

MEASURES designed to provide greater protection for consumers in their dealings with estate agents are to become law next May.

Mrs Sally Oppenheim, Minister for Consumer Affairs, announced yesterday that the main provisions of the Estate Agents Act 1979 will take effect *from May 3.*

Under the Act, the Director General of Fair Trading will be able to ban an "unfit" person from estate agency work.

According to the Department of Trade, "unfit" can mean that an agent has been convicted of *offences such as fraud or* dishonesty, has been guilty of race or sex discrimination or has failed to comply with the requirements of the Act.

Estate agents will have to hold clients' money in clearly identified accounts, keep proper accounts and records showing all their dealings with cients' money and have them audited annually.

Agents will also be bound to pay interest on deposits of over £500 where interest due exceeds *£10 and will be obliged to quote* whatever charges will arise. Any personal interest in a transaction will have to be declared.

The Department of Trade said last night that failure to comply with any of the new requirements might lead to criminal proceedings or to banning action, or both. The estate agent concerned would have the right of appeal to the Secretary of State.

Call for urgent housing repairs

BY MICHAEL CASSELL

CUTS IN Government expenditure are pushing more and more of the nation's housing stock into a state of irrevocable disrepair, says the Royal Institution of Chartered Surveyors.

A report from the RICS calls for urgent action to rescue large numbers of properties from serious deterioration and says the current lack of spending on housing is "storing up serious trouble for the future." The report claims that, without immediate remedial action, homes will reach a state where the only cure will be by massive use of the bulldozer.

The RICS document *says one* in 10 homes in the Greater London area are unfit for human habitation and that the total cost of repairs would be over £5bn. It quotes a nationwide housing repairs bill, estimated by the Association of Metropolitan Authorities, at more than £14bn.

The report includes contributions from local authority housing officers, building societies and chartered surveyors and provides case studies of how lack of expenditure is hitting housing maintenance in public and private sectors. While £40m a year is required to repair and maintain the London borough of Southwork's public housing stock, only £22m has been allocated for the current year.

The main effect, say the authors, is maintenance slippage which leads to an accumulation of crippling bills.

The chartered surveyors call for more comprehensive inner-city housing appraisal programmes and the establishment of more rational grant structures which would allow block-by-block renewal in all areas of housing stress. A local authority housing official suggests more self-help by council tenants, with councils providing repair hand books and maintenance packs to enable *them to carry* out simple repairs.

NCB warned on prices

BY GARETH GRIFFITHS

THE CENTRAL Electricity Generating Board expects to share some of the benefits of improved productivity in the coal industry in the form of restrained price increases this year, Mr Glyn England, the CEGB chairman, said yesterday.

He warned the National Coal Board at a meeting of the Coal Industry Society that consumers were resisting price rises and electricity demand was down 5 per cent on the level three years ago.

The CEGB is the NCB's largest customer and spends £4bn a year on fuel. The board feels it should benefit from some of the 5 per cent increase in productivity in NCB pits last year. It is negotiating its annual price at the moment with the NCB.

Sotheby's slow to add in premium

SALEROOM

By ANTONY THORNCROFT

A FIRST edition of De Revolu*tionibus by Copernicus was sold* at Sotheby's to a Norfolk dealer yesterday for £12,500, plus the 11.5 per cent buyer's premium and VAT. Although pledged to add the premium into the hammer price, Sotheby's seems remarkably slow to effect the change, which was part of the agreement with the dealers to end the hostility between the two sides. Christie's yesterday added in the premium to its knock-down prices.

Other high prices in a printed book sale were the £9,000 from a Swiss dealer for a first edition of De Humani Corporis Fabrica by Vesalius: £6,000 for a first edition of Esdaile's 1846 report on operations under hypnosis; and £2,100 for a first edition of Freud's Die Traumdeutung, the study of dreams on which psychoanalysis was based.

Christie's sale on the premises of Leonardslee at Horsham in Sussex, by order of Sir Giles Loder, was the first to add in the premium. The top price of £30,800 for a pair of late 18th-century North Italian commodes in the style of Maggiolini was more than twice the forecast and an Italian Carrara marble centre table of the 19th-century also did well at £19,250. A set of 24 Victorian mahogany chairs realised £11,220.

Rates law 'will not improve accountability'

BY ROBIN PAULEY

GOVERNMENT legislation to curb rate increases will not achieve its intention of improving local accountability, Mr Noel Hepworth, the director of the Chartered Institute of Public Finance and Accountancy, said yesterday.

Mr Hepworth told a CIPFA and Institute of Chartered Accountants conference on future directions in public sector accountability that reform of local government financing was, however, necessary. The Government also needed to examine the way in which local councils were elected.

Government proposals for councils to hold a referendum before levying rates beyond a centrally-prescribed limit demonstrated "a failure, once again, to perceive the real problem of local accountability."

There were six main objections to the plans:

- It was not compatible with an electoral system which purported to elect a body to take the very decisions it was being asked to take to a referendum;
- There were about 18m ratepayers but more than 42m voters and the plan would allow the 42m to dictate to the 18m about the size of their rate bills;
- *While the marginal cost of* the supplementary rate which would be the subject of the referendum may be high to the domestic ratepayer, it would still be only a small fraction of the bill;
- The proposals to protect the non-domestic ratepayer by forcing a greater share of the burden of the supplementary rate on to the domestic sector would make it in the businessmen's interest to support a vote for higher rates. The bill would fall on someone else but the increased expenditure might help to make his business more efficient;
- Even if the Government decided the wording on the referendum form, it would have to take really tough measures to prevent other questions being added or other referenda being held;
- Local politicians might withdraw from their responsibilities, forcing central government to take over the actual administration of a council, making the cuts and sacking the staff—which the councillors were not willing to do.

Move to force new towns to open board meetings

FINANCIAL TIMES REPORTER

A MOVE is to be made in *Parliament tomorrow to try to* force new town development corporations to open their monthly board meetings to the Press and public.

All new towns now hold their meetings in private although they are empowered to hold open meetings. Many new town *functions correspond* to local authority functions and councils do hold their main meetings and many committee meetings in public.

Mr Norman Hogg, Labour MP for East Dunbartonshire, will table a motion in the Commons urging that new towns should open their meetings. At the same time Cumbernauld Development Corporation will meet to decide whether it should unilaterally open its doors to the public.

Members of new town boards are not elected but are appointed by the government. *Earlier* this year Mr George Younger, Scottish Secretary, refused a request from Mr Hogg that the boards should be compelled to open their meetings but said he did not rule out individual corporations taking the initiative.

Liberal-SDP gains sharpen party line-up in local polls

Peter Riddell, Political Editor, shows that while Liberal gains at council elections have been greater than SDP, the overall impact of the Alliance has altered the town hall scene.

THE LIBERAL PARTY has made more gains in local council elections than its Social Democratic Party allies in the last few months.

The differences partly reflect variations in the number of candidates, but also, more significantly, variations in the extent of local organisation.

An analysis of results shows that the rise of the SDP-Liberal Alliance has not only hit the *Conservatives but* has further eroded the position of Independents with no official party allegiance. Ironically, therefore, the advance of an Alliance opposed to the existing party system has meant that local government has become more dominated by party politics.

Detailed *figures about local* elections are not collected centrally, though data has been pulled together by Mr Tony Greaves of the Association of Liberal Councillors.

He estimates that since the May local elections the Liberals have achieved net gains of 54 seats, while the SDP has gained 17 seats. The Labour Party has a net gain of one seat since May.

The losers are the Conservatives (down 48 seats) while Independents, and other parties, lost 34 seats.

These figures partly reflect the fact that two Liberals have *stood for every Social* Democrat.

Mr Greaves has estimated, however, that of the contests fought since the Alliance was formed in July Liberal candidates have won more than half the seats where they stood, while the SDP won between a third and two-fifths.

These differences do not necessarily reflect the relative popularity of the two parties in the Alliance. Opinion polls suggest that the SDP is running ahead of the Liberals in voters' preferences by a margin of between 1½ and three to one.

Mr Ian Wrigglesworth, the SDP Member for Thornaby, Teesside, highlighted his point yesterday, as the negotiations over allocation of Parliamentary and local government seats began throughout the country.

He said that both parties should recognise "the massive contribution which the SDP is bringing to the partnership by ensuring a fair distribution both in the number of seats and in the type of seats, so the relative strengths of the parties are reflected in the numbers elected, as well as in the numbers standing."

The difference in both the absolute and relative records of the two parties in local elections can most plausibly be attributed to the varying development of local organisations.

The Liberal Party has for a long time had at least a basic organisation in most parts of the conutry, *even where it has* not enjoyed electoral success until recently.

In contrast, the SDP was set up only in March, and has considerable variations in membership and organisation between regions. This, it can be argued, is one of the advantages of an *alliance between the two* parties.

A geographical analysis of the results shows an even spread of Liberal successes. The SDP has done best in Central London and areas immediately to the north like Harrow and Hemel Hempstead, as well as in parts of the North-East and Merseyside, where it has a number of MPs.

Looking at the national picture, there is some evidence that the SDP is faring better in big cities which until now have been Labour strongholds, while the Liberals are running more strongly in Tory suburbs.

Neither partner has made much impact in the main industrial centres of the Midlands, where the Tories have several highly marginal Parliamentary seats won at the General Election. This could reflect the relatively low level of local organisation in parts of the West Midlands.

The real test for the Alliance, of whether its current momentum can be maintained and of the depth and breadth of its local organisation, will come in the local elections next spring.

Clyde Petroleum buys big stake in Buchan field

BY RAY DAFTER, ENERGY EDITOR

CLYDE PEROLEUM, a UK-based independent oil group, has bought a major stake in the North Sea Buchan Field as part of a deal worth almost $60m (£32m).

The agreement, with City Investing Company of the U.S., provides Clyde with its first share of North Sea oil production. Dr Colin Phipps, Clyde's group chief executive, said that the deal also represented the first significant acquisition of foreign-owned North Sea assets outside of British National Oil Corporation's activities.

Some $37m-$38m is being spent by Clyde on the acquisition of a 13.3 per cent share in the Buchan Field and a 14 per cent stake in the exploration area immediately around the reservoir. In addition Clyde has assumed liability for an outstanding loan of $11.4m. The remaining sum has gone towards City Investing's oil and gas interests in South America, the U.S. and Egypt controlled by City Petroleum and City Exploration.

Dr Phipps said that the deal—arranged hastily in view of competition from German interests—would provide Clyde with production revenue and tax advantages which would help to underwrite future exploration and development activities in the North Sea.

The aquisition, arranged with the backing of six international banks led by Singer and Friedlander, also pushed Clyde into a higher "league" of UK independent oil companies alongside Tricentrol and Burmah, Dr Phipps added.

The Buchan Field is one of the most recent to come on stream. Recoverable reserves have been provisionally estimated at 52m barrels—the basis of Clyde's negotiations. Unofficial industry estimates put ultimate recoverable reserves at nearer 70m to 100m barrels.

The field, operated by British Petroleum, cost £225m to develop. Its platform has been designed to handle a peak production of 72,000 b/d.

Clyde has financed the $45m cash deal through a syndicated bank loan, arranged by Singer and Friedlander in less than a fortnight. The banks involved are Singer and Friedlander, Barclays International, Clydesdale, Royal Bank of Canada, Canadian Imperial Bank of Commerce and Bank of Scotland.

Some $15m is to be repaid immediately following a proposed Clyde Petroleum rights issue. The remaining $30m will be repaid over four years. Clyde intends to issue £15m 5.5 per cent cumulative redeemable preference shares which will be convertible into ordinary shares at a premium. Globe Investment Trust has agreed to underwrite the issue.

Clyde, formed in 1973, has so far participated in the drilling of 11 wells in the North Sea. These have resulted in three discoveries, on blocks 16/21, 211/22 and 22/8. It is understood that the drilling rig Nortroll is currently testing oil in a successful appraisal well drilled by the Sun consortium on block 16/21.

It is possible that the consortium will soon initiate a development programme on 16/21 to enable oil production to begin in 1986.

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Post for engineering chief readvertised

By Alan Pike

THE Engineering Employers Federation is to re-advertise for a new director-general, to succeed Mr Anthony Frodsham, who is retiring in February.

An initial advertisement earlier this year produced a substantial amount of interest at one stage the federation was close to making an appointment. The selected candidate then withdraw, however, and EEF leaders have now decided to renew their search rather than attempt an appointment from among the original applicants.

The EEF, with some 6,000 member companies, is Britain's largest employer organisation. While the proposed pay of a new director-general has not been advertised, federation leaders see the post as broadly comparable in status and reward to that of the director-general of the Confederation of British Industry.

The new director-general will need to combine a range of talents. Mr Frodsham has suggested that the EEF should develop from its industrial relations role, to co-ordinate the work of engineering trade associations.

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Tesco to install electronic checkouts

David Churchill looks at the race for laser-controlled grocery bills

THE TESCO STORES group is planning to leap-frog its High Street supermarket rivals in the race to introduce laser-scanning electronic checkouts by installing this equipment in 15 of its largest stores by next spring.

This will give Tesco more than double the total number of such systems currently in use in the UK.

Tesco has decided not to follow the other major supermarket chains such as Asda or J. Sainsbury in testing the new scanning equipment in only one or two stores before full-scale implementation. Instead, Tesco has opted to install the new system in 15 stores within the space of a few months starting at its Edmonton branch in North London.

Although Tesco has decided against an experimental trial of the new system, it has spent the past few years developing its stock control and management information systems to ensure that the best use is made of the laser-scanning equipment when it is installed.

The company's philosophy is that with the massive investment needed in the new electronic hardware—it plans to spend about £100m on the equipment in the 1980s—it is vital first to get the software systems working properly.

It has already spent some £4m in the current financial year preparing for the introduction of scanning equipment and is likely to spend a similar amount next year.

The laser-scanning checkout systems which will become a major feature of High Street shopping during the 1980s are based on the small oblong panel of black lines now appearing on an increasing number of grocery products.

These black lines of varying thicknesses represent a 13-digit number which is unique to each grocery product. Each number identifies the manufacturer and gives full details about the product, including size and weight.

The numbers are allocated by a central body, the Article Number Association, which has a store of some 10bn numbers available to identify individual products.

When the checkout operator passes the bar code printed on each item over a low-power laser-scanner built into the checkout, the information is "read" by the laser and transmitted to an in-store computer linking all the checkouts.

The store's current price for the item is then fed back to the checkout by the computer and is shown, together with a description of the item, on a visual display panel next to the cash register. At the same time, the information is listed automatically on the till receipt which prints both the name of the item and the price.

As this process takes only a fraction of a second, and because the cashier does not have to key in prices manually, the whole checkout operation is likely to be both faster and more accurate than under conventional systems.

For the supermarket operator, the system offers more efficient stock control and higher productivity from fewer staff.

A number of leading retailers and manufacturers have already agreed for some re-ordering to be carried out by computer, based on the out-of-stock positions revealed by the new checkout systems.

In addition, retailers and manufacturers have agreed to pool the marketing data captured by the new systems. Use of this data will enable companies to establish more accurately than before the effectiveness of advertising and sales promotions.

The key to the great laser-scanning race rests on how many goods are marked at source with the special bar-code printed on them. At present, only about 50 per cent of the volume of grocery items are bar-coded and most supermarkets agree that this is too small to start full-scale scanning operations.

However, Tesco believes that about 70 per cent by volume will be bar-coded by next spring when it is launching scanning in the 15 stores. It bases this belief on the fact that the 30 per cent of its grocery volume which is own-label will have bar-codes printed on labels by then.

Until the majority of grocery items are bar-coded at source, supermarkets which are operating scanning systems will have to continue to put codes on by hand, which reduces the cost savings from the system.

In the U.S., the percentage by volume of goods which are bar coded at source is about 95 per cent. There are some 3,500 stores with scanning equipment.

In Europe, West Germany is the most advanced country with scanning installations with 23 stores using the equipment at the beginning of this year. About two-thirds of its grocery products are bar-coded at source. Elsewhere in Europe, the level of penetration of scanning systems and bar-coding is similar to that in the U.K.

In the UK at present, the Key Markets supermarket chain has three scanning stores in operation and has plans for a further nine scanning systems next year.

J. Sainsbury, Asda, and Mainstop all have one scanning store in operation in an experimental basis and are still evaluating the systems. There are believed to be two test scanning systems being planned for Co-operative retail stores.

One major development has been the installation of scanning equipment into two small stores — a Spar supermarket in Oldham and a Mace one near Aberdeen. Both these stores are small by comparison with the superstores already using scanning equipment. But they show that scanning is viable in all sizes of shops.

Birmid sells foundry division

BIRMID QUALCAST, the West Midlands foundry group which has contracted rapidly in the past two years because of the recession in the motor industry, has sold one of its foundry operations, employing 500 people, to its managing director.

Qualcast (Wolverhampton) has been purchased by Mr Roger Lackner for an undisclosed amount and three other directors will soon take an equity share in the new company, to be called Crane Foundry.

The division has suffered losses recently in manufacturing castings for hand tools, electric motors and domestic appliances but its new owner is confident that it will break even next year.

Mr Lackner said that Birmid had agreed to the sale because the division's activities did not fit in with the company's mainstream business, in which more than 3,000 jobs have been shut during that period.

He said: "Our turnover in 1982 is expected to be around £6m. We intend to increase our sales in the Continental market and break into the U.S., but our main customers, such as Stanley Tools, will continue to be in the UK."

The purchase has been supported by Barclays Bank following strong support from key customers.

Prices of North Sea oil to increase this week

BY OUR ENERGY EDITOR

BUYERS AND sellers of North Sea oil have been told formally by the British National Oil Corporation (BNOC) that prices are going up this week.

But the extent of BNOC's proposed increase is not expected to be announced before tomorrow. It is understood that corporation officials want first to clarify the pricing policies of African producers — particularly Nigeria — which sell oil of similar quality to that produced in the UK.

BNOC, the North Sea pricing leader, has told other UK oil companies that the increase will be backdated to last Sunday. The corporation is hoping to raise the North Sea reference price by $1.50 to $2 a barrel. This would bring the price of Forties Field crude to $36.50 to $37 a barrel.

The state corporation has already begun a round of informal discussions with other major North Sea companies seeking a UK consensus. Some companies with production and refining interests—like British Petroleum—have questioned whether a reference price of around $36.50-$37 a barrel could be justified in the light of the present weak market.

BNOC has already cut its direct link with Saudi Arabian pricing policies because of the uncertain market conditions. In the third quarter, the corporation stipulated that it would match Saudi price movements cent-for-cent. This no longer applies.

Saudi Arabia has raised the reference price of its crude oil from $32 to $34 a barrel as part of a package, agreed by the Organisation of Petroleum Exporting Countries (Opec) in Geneva last week, designed to restore pricing unity among the leading exporters.

High-grade North Sea oil is of better quality than Saudi Arabia's reference crude. As a result, it can command a premium. But BNOC is unsure how big the differential should be.

There is also uncertainty within Opec. Under the exporters' Geneva agreement, Algeria and Libya are allowed to charge up to $38 a barrel while Nigeria has settled for a basic price of $37 a barrel.

BNOC officials are trying to assess whether the African prices will hold in present market conditions, in particular, whether Nigeria will continue to offer discounts to raise exports. According to yesterday's edition of London Oil Reports, an oil market newsletter, Nigeria is telling customers that its top price in November will be $36.50.

Northern counties plead for more state help

BY NICK GARNETT, NORTHERN CORRESPONDENT

THE GOVERNMENT was told yesterday that the five most northerly counties in England need an extra £250m of public money a year for the next 10 years to reduce a widening gap between them and the rest of Britain in investment, economic health and employment.

The plea for extra money came from the North of England County Councils Association. Mr Norman Lamont, Industry Minister, yesterday met representatives of the association to discuss the councils' third state of the region report.

According to the report, the five counties—Tyne and Wear, Durham, Northumberland, Cleveland and Cumbria—are the most deprived in Britain. Government policy is severely hindering economic regeneration, and the region's share in the national production of goods and services has been falling since 1977.

The Government already spends £3½bn to £4bn—11.5 per cent more than the national average — in the northern region. Council planners say this is too small and that the figure is misleading because so much goes on unemployment benefit and other social security payments.

The report is critical of the Government's lack of regional policy. The Government is no longer involved in the northern counties' regional structure report and the original report was virtually consigned to the dustbin by government ministers in 1979.

Given the Government's attitude towards regional policy and cash restraints, it must be doubted whether the northern counties can make much impact in discussions with ministers.

Yesterday's meeting, though, reflects growing anxieties within the north about regional disparities and difficulties in attracting investment.

The counties say that unless the Government tackles the problems laid out in the latest report the region's economic plight will continue to worsen.

The main elements of the report are:

- Unemployment: almost one adult male in every five is unemployed with the rate reaching 30 per cent in some inner city areas. Half of the unemployed have been out of work for more than six months and a quarter for more than a year—the most serious long-term unemployment problem in Britain.
- Manufacturing industry: Some 32 per cent of the region's output is from manufacturing compared to a national average of 28 per cent. A quarter of jobs in manufacturing have been lost since 1974.
- Housing: One house in five is unfit, substandard or needs renovation.
- Health: Death rates are 10 per cent above the national average.
- Incomes: Weekly incomes are 10 per cent below the average.

UK NEWS—THE CBI AT EASTBOURNE

Better youth training and earlier retirement urged

BY LISA WOOD

A RADICAL approach to youth unemployment, coupled with a reduction in the male retirement age, was demanded by members during emotional debate on how to tackle the problem of unemployment.

Mr Jim Mundell, chairman and managing director of James H. Dennis, Manchester, said Britain was the only western industrialised nation without a plan to bridge school and work.

"We urgently need to introduce such a programme," he said.

"It should cover every youngster not going on to higher education and last for two years. But we need it now, not in five years' time."

The Manpower Services Commission has recommended a programme of good quality vocational preparation lasting one year for all young people who do not go on to higher education.

This forms part of the commission's New Training Initiative, which also proposes a reform of the apprenticeship system and better provision for adult retraining.

Vincent St G. Brealy

Ian MacGregor

Mr Norman Tebbit, Employment Secretary, is expected to reach a decision soon on the future of statutory industrial training boards and a Government decision on how to achieve the objectives of the New Training Initiative is expected later this year.

Mr Mundell, referring to the other end of the age spectrum said retirement ages for men and women must be brought into line.

There are currently over 1m over-60s in employment, and a reduction in the male retirement age to 60 could reduce unemployment to 1.8m, he said.

Attitudes to employment should also be changed, said Mr Mundell.

George Orwell, he said, wrote in 1937 that the middle-classes still talked about "lazy idle loafers on the dole." In a thinly disguised attack on Mr Tebbit, Mr Mundell said that when he heard Ministers glibly telling the unemployed "to get on their bikes and look for work" he wondered if attitudes had really changed.

Mr Ian MacGregor, chairman of British Steel, said the country could not continue with existing training methods and called on the Government, trade unions and industry to improve training systems.

A practical way in which the CBI and trade unions could co-operate on training was put forward by Mr Chris Bailey of Bristol Channel Shiprepairers and C. H. Bailey.

Conference adopted his suggestion that the CBI should set up an unemployment action group with the authority to invite members of the TUC to join them in formulating proposals on how to minimise unemployment and its costs, and at the same time encourage competitiveness.

Mr Ken Cooper of the National Federation of Building Trades Employers, said Government and industry must share responsibility for financing training.

There were critics, however, of the resolutions on tackling youth unemployment.

Mr Vincent St. Brealy, a farmer who said his own business was five times more competitive than 20 years ago with a third of the staff, accused the CBI of being a "confederation of British idiots."

He said one could not pretend "that all these pious ways of helping school-leavers was the answer.

"We have to be honest," he said. "There are not going to be the jobs if we continue as we are."

'Realism on pay must outlive recession'

By Alan Pike

THE paramount need to ensure that realistic attitudes towards pay outlive the recession was stressed during yesterday's opening debate.

Delegates were asked to consider whether the sharp reduction in both strikes and the level of pay settlements over the past year represented a permanent change of attitude or merely a temporary and uneasy truce.

Mr James Goold, chairman of the Scottish CBI said many companies often failed to explain to employees that reducing the level of pay settlements was not a hostile, mean, piece of employer self-interest but the make-or-break issue for all.

This year, however, was different. Those companies which had been through the mill and survived had certainly come out fitter, slimmer and more efficient and this must continue.

"I do not believe that attitudes have changed because of the recession," he said. "They may have changed during the recession, because time and effort have been put into leading and listening and explaining.

The pay bargaining responsibilities of a successful company, said Mr Goold, were not only to its own employees but to other employers, in setting the pace, and to customers in keeping prices down.

Managers must resolve that on matters of pay bargaining, marketing, profitability, productivity, investment, training and all other ingredients of success there would not be an employee who did not understand the realities of the situation.

Not all speakers were convinced that the "new spirit of realism" was more than a temporary phenomenon.

Mr R. C. Sansom, of the Construction Plant Hire Association, said the level of pay claims rather than settlements suggested that the uneasy truce theory was the correct one. "I think we have come to the stage in our national affairs where we have to say the norm is zero," he said. "We have to get away from the expectation of an increase every year."

CBI president Sir Raymond Pennock on the platform with Mr J. A. S. Cleminson of Reckitt and Colman

Pennock presses case for cut in NIS

By Lisa Wood

SIR RAYMOND PENNOCK, president of the CBI, stepped up pressure in his opening speech for a reduction in the national insurance surcharge, despite a firm declaration by the Government on the eve of the conference that it had no intention of abolishing the tax.

Full abolition of the 3.5 per cent tax would not lead to it being absorbed in higher wage rates, Sir Raymond told delegates.

In his own company, BICC, the abolition of NIS would increase the £8m UK profits by 20 per cent, he said.

Sir Raymond gave Sir Geoffrey Howe, the Chancellor of the Exchequer, his guarantee that the money would be spent not on higher wages but on investment to create new jobs.

In a well received speech, in which he said the CBI was not in business to tell the Government how to run the country, Sir Raymond listed the CBI's achievements, or as he termed it the organisation's Ten Commandments for 1981.

Issues included the CBI's lobbying efforts over Britain's membership of the EEC, the trade imbalance with Japan, public spending, industrial rates, relief on energy costs, and the work of the CBI's smaller firms council.

Sir Raymond said the Labour Party's intention to take Britain out of the EEC was an "arrant nonsense which could affect up to 2m jobs."

Pay, he said, was the very root of inflation.

"The quickest way back to competitiveness, prosperity and the reduction of the 3m out of work," he said, "is for the 20m in work to receive increases, if not nothing, at least not more than those of our German and Japanese rivals, and positively no pay increases unless backed by increased productivity."

Sir Raymond paid particular attention to the problem of the young unemployed and the opportunity for the creation of a new national system of training and work experience for all school leavers.

In order to succeed, he said, "this must incorporate the best features of present apprenticeship training and this must in turn mean full-blooded, unconditional involvement of the trade union movement.

Heavy opposition to Labour plan to pull out of Common Market

BY LISA WOOD

EXPORTERS, IMPORTERS, bankers and farmers united in opposition to the Labour Party's intention to take Britain out of the EEC.

All the speakers except one spoke in favour of continued membership with only minor adjustments. Withdrawal would be an "unmitigated disaster" and an "act of criminal folly" delegates said.

Delegates from Northern Ireland and Wales most vividly described what they believed withdrawal could mean for jobs and future investment prospects in their regions.

The EEC accounts for some 40 per cent of British trade, to which some 2.5m jobs are directly related.

Mr Emrys Evans, of the Midland Bank, said withdrawal would be disastrous for Wales.

About 100,000 jobs or 10 per cent of the Welsh workforce, hold jobs which are directly dependent on trade with the EEC.

"Anybody prepared to put at risk a job dependent on EEC trade needs their head examined," he said.

Mr Richard Hill, of Charles Hill of Bristol, said those who called for withdrawal would be boiled in oil by consumers, while the extra unemployed would burn them at the stake.

The Common Agricultural Policy (CAP) was stoutly defended by both Sir Richard Butler, of the National Farmers Union and Dr G. Chambers of the Milk Marketing Board of Northern Ireland.

Dr Chambers said CAP did not need dismantling or fundamental reforms.

"CAP is successful by and large," he said, "and has kept, over the last two years, annual food price increases below the level of inflation."

Successive governments were criticised, however, for not communicating effectively the benefits of membership. Similarly, businessmen were informed by Mr Cyril Coffin, of the Food Manufacturers' Federation, that they had not played a sufficiently active and positive role in lobbying European decision-makers over issues that affected them.

Mr Bernard Forbes, of Horstmann Gear Group, raised the problem of hidden non-financial barriers to trade within the Community, such as different standards for inspection.

Failure to join the European Monetary System was similarly critirised by two members.

Mr G. A. Claton said the CBI "should demand that the Government takes EEC membership seriously and joins the EMS straightaway."

Successive governments had failed to do so because "it is votes that makes cowards of them all."

Mr John Raisman, chairman of the CBI Europe committee and of Shell UK, was loudly applauded when he said he shared "the widely growing view that the time has come for us to join."

Government warned to tread carefully on industrial relations

BY ALAN PIKE

THE GOVERNMENT was given a clear warning yesterday to tread carefully on further industrial relations legislation.

Mr Chris Walliker of the Delta Group, chairman of the CBI's Midlands region, noted when summing up a debate on employment law that it had provoked little discussion of the closed shop.

Many industrialists were worried about changes in industrial relations law coming too far from the extreme right, he said, and in the West Midlands the closed shop was not high on the agenda at meetings of personnel managers or CBI representatives.

"I hope the new Employment Secretary does not put as much emphasis on the closed shop as the Conservative associations of Cheltenham Spa or Ascot do."

The present economic climate gave management the opportunity to provide leadership and bring about change; and they must really emphasise the need for adherence to disputes procedures, said Mr Walliker.

He also stressed the value of employee involvement. Companies were providing employees with information because it suited them, but would they go on doing so when they were back in profits?

Mr Tony Shadforth, chairman of Inco Europe, opened the debate on industrial relations law by arguing that too often in recent years the subject had seemed to be the province only of governments and trade unions.

"Never again should we permit pay and industrial relations to pass into the exclusive hands of a combination of unions and government, as was the case in the years of the Social Contract."

The debate on industrial relations law drew a substantial number of speakers who urged caution on the further use of legislation in this area.

Mr Rowland Long of International Harvester, said nothing should be done to hamper the efforts made by moderate trade union leaders to teach their members the reality of life.

It would be reprehensible of the Government to use a surfeit of industrial relations legislation as a diversion from the consequences of adherence to a "rigid insensitive piece of economic dogma."

Mr Anthony Frodsham, director general of the Engineering Employers Federation, said he did not expect the replacement of Mr James Prior, by Mr Norman Tebbit at the Department of Employment to alter greatly the step-by-step approach towards legislative changes.

This approach meant that the rate of progress was likely to slow down as each step became more difficult. He referred obliquely to the disappointment the EEF had suffered in trying to maintain employers' solidarity during the 1979 national engineering dispute, but none-the-less again stressed the importance of such solidarity in balancing employers' strength against that of trade unions.

The conference adopted a resolution calling upon companies, financial institutions and the CBI to help the growth of employee ownership as one way of redressing the "us and them" syndrome

This was successfully moved by Mr P. A. Thompson, of the National Freight Corporation, which employees are negotiating to buy from the Government.

James Goold

Open trade backed but calls for action on unfair competition

BY LISA WOOD

FREE TRADE has not had its day, according to delegates, although unfair competition should be more effectively countered.

Conference affirmed its belief in the need for an open trade system, and rejected calls for a managed trade and protectionism system.

Mr Derek Kingsbury, chairman of the CBI Overseas Committee, said in opening the debate that it was easy to blame difficulties and failures on the acts of other nations, on the two big surges in Opec oil prices, for example, or on Japanese competition.

But in reality, he said, "the heart of our problem is our ability to compete whatever the cause of the difficulties. If we cannot compete no amount of protection will prevent our standards of living from falling.

"Furthermore, if we retreat behind tariffs and quotas, whether we call it managed trade or not, additional and new barriers will in turn be erected against us around the world, handicapping our exports and discouraging investment from all sources."

Much of the discussion revolved round what has been called the Japanese "laser-beam" approach, in which a deep and concentrated attack is made on selected sectors.

Mr Pat Gailey, of the Machine Tool Association, said that in his sector twice as many lathes were imported as were made in the UK in 1980. In Europe, he added, there should be a high but temprary tariff to build up a competitive industry.

Mr Kenneth Edwards, of BEAMA, said that protectionism was not a dirty word in those parts of industry affected by these "laser beam" approaches, and could be used as a temporary measure.

A defence of Japanese industry was made by Mr G. W. Triggs, of Sony, who described how Japanese manufacturers acheived their successes. How many British businessmen, he asked, had read standard Japanese literature, for example?

It was "time British people learned how to deal with Japan."

He said as an aside that Sony had a special subsidiary company which imported foreign goods into Japan.

Procedure shift yields lively day

By John Elliott, Industrial Editor

A MAJOR ATTEMPT has been made by CBI leaders to make this, their fifth conference, more lively and spontaneous than last year's relatively dull proceedings.

One major criticism last year was that the resolutions organised in advance of the conference were so broad and anodyne that they stifled debate and had little meaning.

As a result, the CBI yesterday experimented with a new system which helped to enliven much of the day.

For the first time, the conference was not presented with resolutions in advance from either the CBI leadership or from individual organisations.

Instead, the sessions were hinged on "issues for debate" contained in small policy leaflets prepared on individual issues by CBI staff.

Campbell seeks lead on pay

Financial Times Reporter

BRITAIN'S BOSSES were told to cut their own pay increases by Sir Colin Campbell, chairman of Glasgow-based James Finlay. He told delegates: "Let all of us, the leaders of this country, moderate our own increases, take a standstill, or link any increase to the performance of our companies.

Industry 'will be equipped to compete successfully in 2001'

BY ALAN PIKE

AFTER a day of discussing the many problems facing Britain delegates concluded their last session by deciding overwhelmingly that industry will be equipped to compete at the start of the next century.

Conference was asked to consider such issues as:

Whether British companies rely too much on price and too little on aggressive marketing;

Whether they look too much to short-term profit at the expense of long-term market share;

Whether they are enterprising enough in developing new product lines;

Whether they try hard enough to attain high standards and whether they could help themselves by developing better long-term customer supplier relationships at home.

Sir Austin Bide of Glaxo pointed out in opening the debate that it took a long time for a company to establish a reputation for quality.

He warned that while it might be tempting to cut back on research and development and investment in plant during a recession this amounted to eating the seed corn and must be avoided.

A similar theme was adopted by Dr W. E. Duckworth of the Fulmer Research Institute.

Pointing to the disappearance of once-familiar British industries like motor-cycle production, he said: "What destroyed the motor-cycle industry was the research and development carried out elsewhere.

"If you don't keep up research and development your competitor does and makes your products obsolete."

Mr Peter Blood of the Institute of Marketing, reminded delegates that three years ago he had reported to the conference on a tour of British companies

His researches then unveiled flabby management, lack of export efforts and apparently bad marketing.

He had now completed another tour and was able to tell of a transformation.

There was an impression of dynamic and enthusiastic management, better planning and first rate effective marketing.

This had been accomplished at the same time as improvements were taking place in productivity and labour relations.

There was, affirmed Mr Blood, ground for optimism based upon fact.

"We not only can do it, we are doing it," he declared, providing delegates with a note of hope on which to end the day.

Mr Ronald Halstead, chairman of Beecham Products, summing up the "2001: Will we be equipped to compete" debate, reminded delegates that during the 19th-century Britain had been the leading trading nation in the world with 40 per cent of world trade in manufactured goods.

Today its share of that trade was below 10 per cent—roughly half that of each of Britain's three major competitors.

Even a few percentage points increase in that share, said Mr Halstead, would put a large part of the 3m unemployed back to work.

"Many reasons have been advanced for our relative decline — poor productivity, out of date technology, low investment, government economic policy, easy access to our market and unfair barriers abroad.

"All these have an effect and have to be dealt with by government or industry itself, but there are many areas where we have lost market share because of our relatively weak marketing performance."

Many British companies had been extremely successful in very competitive markets and Mr Halstead included his own company, Beecham, in this point.

Its success had depended essentially on adopting a strong marketing approach

"This is a fairly simple philosophy, but it requires a dedication at all levels of the business from the chairman to the shop floor.

It also requires a speed and flexibility of approach to stay ahead in the competitive race.

There is no magic to it but the application of this marketing philosophy has enabled us to expand vigorously our business around the world."

John Lloyd and Philip Bassett consider the first big industrial test of last year's Employment Act concerned with strikes

Government advice ignored as pickets start at BL plants

Battle of wills as pickets try to prevent people from entering BL's strike-bound Cowley plant

PICKETING began in earnest yesterday at all BL plants involved in the strike. While there were some ugly incidents—notably at the Cowley plant at Oxford—it seemed for the most part relatively well ordered, though the Government's guidance on picketing practice was widely disregarded.

Pickets were in position at many of the plants from very late on Saturday evening: those at Cowley, which assembles the Princess, the Ital and the new Acclaim, and produces bodies for all these three cars as well as for Rovers, were among the first to take up their station.

A token picket was mounted on Sunday, and throughout Sunday night in preparation for mass demonstrations yesterday morning. A clear indication of how far the Government's picketing guidance—the code of practice attached to last year's Employment Act limiting the number of pickets per gate to no more than six—was likely to be ignored was given by the night picket. Even at 5 am yesterday morning, there were at least a dozen on the main gate of the Cowley assembly plant.

If the BL picketing yesterday was the first major industrial test by a group with proven muscle of the provisions of the code since it came into force in December last year, then it clearly failed. Not only did it seem immaterial to pickets when questioned but it was not raised at all by the police.

Strength of feeling

At the two main gates to the assembly plant, either side of the main road into Oxford, there were some 200 pickets each. Other gates spread around the Cowley complex were similarly manned: there were probably about 1,000 pickets in all, or about 10 per cent of the Cowley workforce, suggesting a strength of feeling considerably wider than any core of union activists at the plant.

Even with these numbers, though, the picketing rarely got out of hand. Some staff were *found to be vaulling over an* unmanned gate: a detachment of pickets was sent down to block the gap. On the other hand, about eight female clerical staff attempted to cross the line and met at one gate fierce argument and resistance. They simply turned away, walked three yards down the road, and turned into a gate left unmanned.

Mr David Buckle, the experienced Oxford district secretary of the Transport and General Workers' Union, arrived at 7.15, the due time for the start of the manual shift, and urged Mr Bobby Fryer, TGWU assembly plant senior shop steward to make the picketing "peaceful—but effective."

A police inspector joined the conference, acknowledging the pickets' legal right to try to persuade employees not to cross the line, but insisting, firmly but politely, on their right to do so if they wished.

The police, mostly local, handled the picketing very calmly in the main, turning a blind eye to probable offences.

Ugly incidents

Three reserve coachloads were brought up to the assembly plant gates throughout the early morning as the pressure of pickets increased: but though they occasionally formed lines to press the pickets back to allow a car to pass, they were good-natured.

Even so, there were some ugly incidents. A clerical worker was severely jostled as he passed through the crowd. He fell over, either because of the pushing or because he slipped, and was kicked as he lay on the ground. He sprang up, himself kicking back, and suddenly a number of pickets joined in with their fists.

In another incident, which *led to one of the two arrests of* the morning, the police were trying to clear a path for a car which had been experiencing considerable difficulty in gaining entry. One policeman was kicked in the melee and a suspect was taken off and eventually bundled into a locked van.

As the car went through the lines, to the accompaniment of thumps on the bonnet and roof, one peker swung a savage kick at the drivers' door, severely denting it.

Many management and staff went through the lines, the majority in cars: very few heeded the pickets' pleas and turned round. Each car was stopped and its driver spoken to for at least five minutes. With another five minutes to press through the crowd, a long tailback of vehicles quickly formed.

Prominent among the crowd was Mr Alan Thornett, the TWGU shop steward at Cowley, once dubbed "The Mole" for his activities at the plant.

Cowley stewards, all determined to vote against the pay off at Birmingham, were optimistic that the vote at the plant's mass meeting today would reject it.

Some, though, were much more doubtful, pointing to the widespread confusion over the late-night offer, and doubting its value.

Coventry's fallen aristocrats smile through adversity

Showing a rare news sense, BBC Radio Four has declared this week West Midlands week.

"The West Midlands sense of humour is quite unique," said a prominent local personality early yesterday morning, searching a little desperately for a bright side to look on.

That sense of humour is having a uniquely good opportunity of testing itself in adversity. To a general question on wage levels, the most repeatable reply from a picket at Jaguar's Coventry assembly plant was: "Things are so bad round here, son, that when we finish work we go out mugging tramps."

Jaguar's 4,000 workers were once the labour aristocrats of the town. Ten years ago, as Mr Brian Redhead reminded us later in West Midlands West, to have predicted 15 per cent unemployment for Coventry was to invite more of that unique humour. Ten years ago, say the massed pickets outside Jaguar assembly in Browns Lane, Jaguar workers were earning 30 per cent above the national average. Now, with gross pay often in the £90-£100 range, they claim to be about the same below the £140 national average.

There were as many as 100 workers at the main gate when picketing was at its early-morning height. Nearly half of them gathered round to give instances of their recent and rapid slippage down the pay league (from third to 92nd, says one picket).

Says Jim Higgins, an assembly line worker with 16 years' experience: "We're making the dearest cars in the world with the cheapest labour in the world." These workers build an international luxury car; they make international comparisons—£220 a week for Mercedes workers, £180 a week for Japanese car workers, national average plus 10 per cent for Renault workers.

Yet it is not the money and the low offer which excites the most bitter comment from these men. It is Sir Michael Edwardes. Two older workers—Herbie Albrow and Joe Thomas—both with around 25 years' experience, working at Browns Lane and Radford engine plant respectively, said independently and almost identically: "We fought a war against dictators, and now we've got one."

This frustration is given an added twist at Jaguar by a regrading exercise of some 18 months ago, which, the pickets say, levelled down the skilled men and reduced earnings by 10 per cent.

Further, they say, the bonus cannot be properly earned because of constant hold-ups in supplies. Problems at the Castle Bromwich paint shop have meant one- and two-day layoffs a week for the assembly workers: they get their basic pay, but no bonus.

No one will allow that Sir Michael has pulled the company round from disaster, or done well in pushing the Metro, or concluding agreements with Honda.

Ron Newcombe, the Transport and General Workers convenor, went to yesterday's joint negotiating committee meeting with a solid vote to cast for continuing the strike. "We've had a 50 per cent improvement in productivity with all the workers we've lost, and we've taken a real wage cut. Why should we take it again this year?"

There is another shared view: they want Jaguar out of BL. They—or many of them—want someone to buy it as a separate, going concern: they regard the mass car division as a millstone. "If Edwardes said he'll flog us off to someone and we could get a share of the profits, I'd take the offer now," says Jim Higgins, to general agreement.

Around 8.30, as office workers are let in with no more harassment than wolf whistles for the women, the rain starts. Soon, it is dripping from the heads of the two white leaping Jaguar symbols above the main gates, giving them the appearance of weeping. Clearly they do not share the unique West Midlands sense of humour.

Knitwear wage talks put off

PAY TALKS between the National Union of Hosiery and Knitwear Workers and the employers' Knitting Industry Federation have been adjourned

Judgment poses threat to closer working within union

BY PHILIP BASSETT, LABOUR STAFF

PROSPECTS of closer working between sections of the Amalgamated Union of Engineering Workers worsened significantly yesterday, following a High Court judgment which upheld a decision by the Certification Officer to prevent a transfer of engagements between all but the white-collar section.

Under the proposals rejected by Mr John Edwards, the Certification Officer, the dominant engineering section of the AUEW was to take over the engagements of the foundry and constructional sections of the umbrella union in a merger with the sheet metal workers.

However, the Technical, Administrative and Supervisory Section of the overall AUEW opposed the merger, saying it was against AUEW rules.

TASS, led by its Communist general secretary, Mr Ken Gill, feared that it would be overwhelmed by an enlarged and predominantly politically-moderate engineering section within the AUEW.

The political overtones of the case were recognised yesterday both by Sir John Boyd, engineering section general secretary, who claimed that TASS's opposition to the amalgamation had been politically motivated and by Mr Justice McNeill, who in delivering his judgment, acknowledged that it might "create difficulties if, for example, the sections have political and industrial differences."

Apart from impeding progress towards one union for the engineering industry, the judgment poses an immediate threat to the AUEW national conference due to be held in Eastbourne later this month.

Some union officials thought the judgment would make the staging of the conference impossible—even though the engineering section was ready to suspend its rule changes.

These would have expanded its policy-making national committee to 91 lay members. The section was ready to attend the conference instead with an ad hoc body the same size as the old 52-member national committee.

The judgment found that the proposed alteration to the rules of the overall amalgamation was "fundamentally inconsistent" with the first two rules of the AUEW. These make it clear that the rules of individual sections must form part of the rules of the whole.

The judge concluded that the AUEW rules are part of the rules of the engineering and other sections, therefore, the engineering section's merger proposals, which would have involved rule changes opposed by TASS, were not consistent with his conclusion that the rules of the amalgamation could not be changed unless each of the sections gave its consent.

Mr Ken Gill last night welcomed the court's ruling. TASS has a separate legal action pending over the vexed amalgamation issue, in a case against the engineering section, attempting to prevent it from proceeding with what are in practice already implemented rule changes.

New problems for Port of London

THE LOSS-MAKING Port of London Authority faces new financial problems after failing to achieve the 600 redundancies among its registered dock labour force which it was seeking under the national two-month special severance scheme.

Britain's port employers are trying to shed some 3,000 dockers—15 per cent of the registered force—by a temporary topping-up of maximum severance payments from £10,500 to £16,000.

National Dock Labour Board (NDLB) officials are still adding up applications under the scheme, which closed at the weekend. Unofficial forecasts suggest that applications may total 2,500-2,700.

The PLA, however, has had only 250 applicants, while the Port of London as a whole has had 330. In addition some 80 tally clerks, part of the registered force, have applied and will in the longer-term increase the total if dockers can be retrained to take their jobs.

The PLA is nonetheless still likely to carry 200-300 dockers more than it wants into the New Year, when the payroll levy it contributes to the NDLB—largely to pay for severances—goes up by 2 per cent to 15 per cent.

It is another headache for the authority at a time when its five-year plan is being considered by Mr David Howell, Transport Secretary.

The reason for the poor response to the scheme is that the port had already shed some 800 dockers earlier this year under a special severance offer at London and Liverpool, which also provided payments of up to £16,000.

The PLA is seeking further redundancies partly because of last month's closure of the Royal Docks and transfer of business to Tilbury. The full 600 would have cut the PLA's registered workforce from 2,985 to 2,735.

The other ports, which saw applications for severance dry up after the London and Liverpool scheme as dockers anticipated its extension elsewhere, have done much better in the past two months.

Bristol, for instance, has had 424 applicants, compared with a target of 400.

Applicants at Southampton have exactly matched thetarget of 311.

Crane drivers strike

THE SPECIALISED container terminal at the £50m Royal Seaforth Dock complex on the Mersey at Crosby was at a standstill again yesterday, when 50 crane drivers walked out in a dispute over the rota system.

The men, who are employed by the Mersey Docks and Harbour Company, took the decision at a dock gate meeting before the start of the day shift. It halted cargo handling on three container vessels. The strike was called within 24 hours of the controversial pay and productivity package deal for the port's 3,500 dockers receiving final approval at a mass meeting on Sunday.

Support pledge for Perivale

A JOINT committee of shop floor leaders and union officials representing workers at Hoover's three UK plants last night pledged "unequivocal support" to fight the threatened closure of the company's Perivale plant in London with the loss of over 1,000 jobs.

Speaking after the meeting at the General and Municipal Workers' Union London headquarters, Mr Gavin Laird, the committee chairman, warned that the unions would back Hoover workers "by any means necessary" should they decide to resist the Perivale closure.

Shop floor representatives from the company's plant in Merthyr Tydfil in Wales and Cambuslang in Scotland also undertook to resist the company's plan to re-deploy equipment and work from London to the other factories. This decision is expected to be endorsed by workers at mass meetings in Scotland and Wales, due to be held later this week.

In the meantime Mr Laird, an executive council member of the Amalgamated Union of Engineering Workers said that the committee would be seeking a further meeting with the Hoover management in an attempt to prevent the Perivale closure. However, he added that he was "not optimistic" that the decision would be reversed.

Referring to Hoover's call for a further cut of 800 jobs at the company's Scottish and Welsh plants, Mr Laird said: "If our members at any plant seek support from unions at a national level to resist job cuts, we will support them."

Mr Tony Lusby, regional officer for the General and Municipal Workers Union, said he was "highly satisfied" with the support for Perivale

TECHNOLOGY

EDITED BY ALAN CANE

Traffic jam service suffers new delay

BY ELAINE WILLIAMS

Terry Kirk

London snarl-up: Carfax could help the motorist

THE INTRODUCTION of Carfax, a radio information service for motorists developed by the BBC, is being delayed because of failure to obtain Home Office approval.

Despite tentative Government sanction and a *promise of* partial funding, the Home Office refuses to authorise the system to operate on the frequency the BBC has proposed because it *might interfere with continental* transmitters.

Carfax sets out to give motorists equipped with a suitable radio receiver details of traffic jams, road works and accidents which might affect their journeys.

The BBC has estimated that the UK could save between £5m and £10m a year by reducing the amount of time motorists spend in traffic hold-ups.

However, a nationwide service *would cost about £2m with* annual running costs of about £1m. So far the Department of Transport, through the Transport and Road Research Laboratory, *has spent more* than £250,000 developing the system.

The Home Office is worried that the frequency of 526.5 kHz which the BBC has used for trials in London and the home counties may cause interference with transmitting beacons used for air and sea safety by overseas countries.

But the BBC is reluctant to look for an alternative frequency and says that 526.5kHz *is the only available part of the* crowded medium wave band which could be used for Carfax.

Discussions about the frequency have been going on for several months and little headway seems to have been made about resolving the problem.

Carfax is a new broadcasting system with its own network of transmitters, hopefully operating on 526.5 kHz, which is at the very edge of the medium frequency band.

The idea for the system was proposed ten years ago by Mr Ron Sandell, a technologist working at the BBC's Kingswood engineering research establishment in Surrey.

He wanted to provide a receiver in vehicles which would automatically interrupt *normal radio programmes to* allow the driver to pick up traffic information in the locality.

The plan is to create a nationwide network of up to 80 transmitters to broadcast local and national traffic news and to store in a computer up-to-date information gathered from motorists organisations and the police.

When the problems are sorted out—though the BBC is *not optimistic about an early resolution* — the service will start in London with five transmitters, where extensive trials have already been carried out.

According to the BBC, the Government has agreed to put up £400,000 to fund the initial London service, a sum which *will be matched by the BBC.* Gradually, the system will be extended to the rest of the country.

Interest in mass producing receivers has been expressed by the car radio manufacturers. About six companies including Radiomobile have worked closely with the BBC on developing the system.

Nearly a year ago Radiomobile said that it was ready to go into production as soon as *the go-ahead was given. It has* already supplied more than 100 receivers to the BBC for its trials.

Manufacturers think that the cost of a receiver with Carfax would cost about £50 although Radiomobile has proposed that it could be funded on some sort of licensing basis.

There is a rival system to Carfax — ARI (Autofahrer Rundfunk Information) which *has been developed by* Blaupunkt in West Germany where the system has been operating for several years.

ARI sets out to give motorists the same sort of motorist information but uses the conventional local radio broadcasting networks.

ARI receivers are tuned manually or automatically to local transmitting stations. West Germany is split into 13 zones which operate on six different *frequencies.*

Bosch which operates for Blaupunkt in the UK carried out trials with a London radio station five years ago and claims that ARI will be cheaper and easier to instal on a nationwide basis.

It also claims that British *manufacturers would have* greater export opportunities because Switzerland, Austria, Spain, and Denmark have already adopted the system.

However, it seems that unless the question of frequency allocation is sorted out the prospect of Britain introducing a motorist information service seems pretty remote.

Helping the heart through the skin

A TRANSDERMAL medication *method for treating angina pec*toris patients has been developed by Ciba-Geigy AG of Basle, in co-operation with its U.S. subsidiary, Alza Corpora*tion, Palo Alto.* This involves the administration of nitroglycerin through the skin, allowing a uniform therapeutic effect over 24 hours.

Although nitroglycerin has been in use for more than a century as an active substance to arrest attacks of angina pectoris, its very short effective *duration has rendered it unsuit*able to prevent attacks. T he new "transdermal therapeutic system" (TTS) rovides an alternative to doses of nitro-glycerin or related substances taken several times daily.

The new product has just been approved by the U.S. Food and Drug Administration and Swiss Drug Registration authorities. It is to be introduced next year.

Punching, copying and nibbling

A UNIVERSAL *punching, copy*ing and nibbling *machine* for metal fabrication workshops, introduced by Roberts and Weigert (Wakefield 378846), is *claimed to be especially suit*able as an economical jobbing unit.

With a throat depth of 36 in. it will handle sheets up to 6 ft by 8 ft working on an area of 48 in by 36 in. A standard feature is the facility for copying from either a same-size master or a template to scale. An integral copying table is located to the right of the centre console.

The 38-ton hydraulic action for punching is by a 15 hp power pack, with the 125 mm bore double-acting ram operating directly on to the tool. The pump is driven by a three-phase 440V electric motor.

The machine weighs about 2½ tons, has an overall height of 6ft and covers a floor area of 10ft by 8ft. A detachable table and copying equipment and a *central lifting eye are designed* to facilitate transport and installation.

Hepworth automates for major savings

HEPWORTH AND SON, the menswear group, is investing more than £2.4m in automating its operations at a time when the clothing retail industry is in difficulties.

By the middle of next year most of its computer-controlled network will be complete. The group says it has already made major savings since it started its *automation programme four* years ago.

At the heart of the Hepworth system is an IBM computer which is used to run the group's *Club 24 credit operation,* the automated warehouse system to speed up collection of items ordered by stores, company payrolls, financial modelling, *word processing and to communi*cate with sophisticated point of sale terminals and electronic cash registers—spread throughout its stores.

So far about 80 of its 350 Hepworth Retail stores have been equipped with electronic tills linked to the main computer at Leeds.

At the end of Saturday's trading the central computer automatically dials each store and reads the sales information stored in the till's memory. The computer can dial up to four stores at a time.

By Monday, the computer has prepared a detailed statistical breakdown showing which stores have the highest and lowest turnovers, the best and worst selling items and regional differences in trading.

This information gives managers a sporting chance of responding quickly to market forces

It is also fed into the automatic warehouse system at Leeds so that stock can be replenished at stores within a *week of ordering. Previously,* it could take anything between three and four weeks to identify fast selling goods and respond accordingly.

The size of the problem can be gauged from the fact that a typical store can have between 15,000 and 20,000 items of stock at any time ranging *from* ties, and socks to suits and coats.

The warehouse could be shipping about 500,000 items during peak periods in the autumn and spring so that Hepworth felt that automation was needed to keep overall staffing levels down.

On the point of sale applica*tion* alone the company has saved more than £230,000 gross, representing annual savings of more than £177,000.

In the past two years the *group has diversified by acquir*ing W. and E. Turner, a Leicester based shoe chain with 150 shops and Kendall, a ladieswear chain with nearly 80 stores.

This is in addition to its own 350 high street menswear shops and the Club 24 credit operation it set up four years ago with Forward Trust, a subsidiary of Midland Bank, to run its in house credit facilities.

Since then the Club 24 credit system has been offered to other companies to the retail trade in competition with other credit houses such as Access and Barclaycard Visa. There are now 16 companies including Dixon Photographic subscribing to Club 24 with more than 650,000 credit card holders. Hepworth on its own has about 300,000 card holders.

Hepworth in the past few years has introduced some automation to making suits. "Charlie," as the system is affectionately known works out patterns for suits based on the measurements fed into the computer.

Hepworth says that up to 90 per cent of credit card transactions can be handled by its computer, cutting down the *time taken for telephone calls* from 40 seconds to an average of 20 seconds.

The system could also allow the company to increase its credit card handling ability without any significant increase in its present staffing.

In March, Hepworth set up its own computer services company because it felt that the skills it had built up for its in-house computer operations could be marketed to others.

The company is offering to set up and operate electronic retail systems for small chains with about 20 or so shops using the main computer as well as the larger retail outlets with 100 stores or more.

Monoxide detector

AN INTEGRATED carbon monoxide detection and alarm system is being designed and manufactured for installation at the Huntley B power station in the North Island of New Zealand by the Slough-based fire and gas engineering company Siemex (75 75555).

When New Zealand Electricity Department safety engineers made routine checks of the plant they found that carbon monoxide, which is lethal in large concentrations, was emitted by eight coal storage silos, endangering men working on suspended catwalks nearby.

The gas was formed as a result of pyrolosis, or partial combustion, in the highly com*pressed lower layers of the coal.* It then rose and escaped to the atmosphere because of the flue-like design of the silos.

Siemex therefore specified the installation of a non-dispersive infra-red analyser designed to measure, in sequence, air pumped from sampling points in each of the eight silos.

Each sample will be analysed for 20 seconds every two minutes and the CO level displayed in analogue form on a control panel. A manual override facility allows engineers to select instantly any of the points in the silos so as to measure the air/CO mixture.

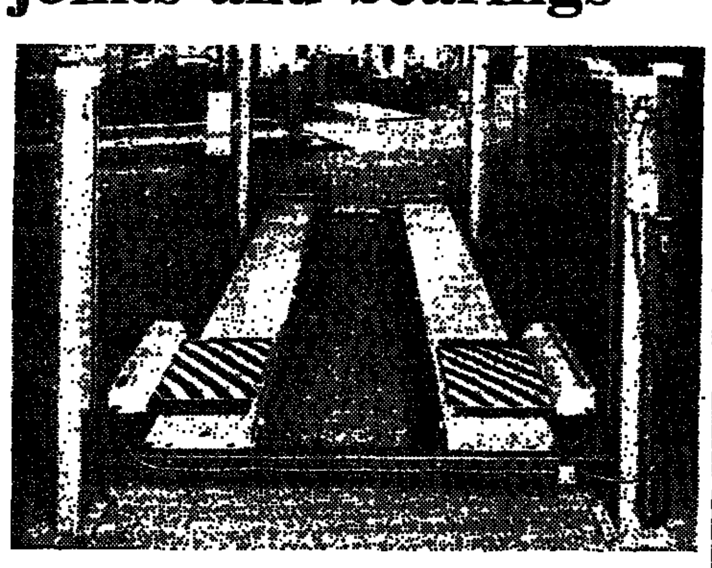
The internationally-agreed maximum CO concentration which can be tolerated in terms *of workers' health and safety,* assuming a 40-hour working wek, is 50 parts per million. If this level is exceeded, audible and visible signals will be activated in the power station's central control room.

Teaching robot from Didactec

A COMPACT, lightweight, microprocessor-controlled robot designed to help engineering students and apprentices to understand and appreciate the new science and technology of robotics has been introduced by Didactec Engineering Teaching Equipment, Huddersfield (0484 845039).

The robot, named "Robert," can pick up objects, measure them, and sort them into different containers. It can be interfaced to most school and college computers. *Every computer* instruction is displayed on a cathode ray screen so that students can follow the process step by step.

Testing for wear in joints and bearings



THIS EQUIPMENT has been developed by Laycock Engineering of Sheffield (0742 368221) to show up faults in the steering and suspension of cars and light commercial vehicles. The car is driven on to the ramps and on to plates that allow loads to be applied through the steering and suspension.

Operation is by means of a switch built into the handle of an inspection lamp. With *the switch in one position* the left hand plate moves inwards and forwards while the right moves inwards and back. Reversal of the switch causes the left hand plate to move out and back, the right out and forward.

In this way, and with the aid of the lamp, any wear or slackness in joints and bearings becomes clearly visible. The whole system works for safety from 24 volts DC.

TELEVISION

BBC 1

9.05 am For Schools, Colleges. 12.30 pm News After Noon. 12.57 Regional News for England (except London) London and SE only: Financial Report, and News Headlines with subtitles. 1.00 Pebble Mill At One. 1.45 Over the Moon. 2.00 You and Me. 2.14-3.00 For Schools, Colleges. 3.25 O dro I dro. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Laurel and Hardy (cartoon series). 4.25 Jackanory. 4.40 Play Away. 5.05 John Craven's Newsround. 5.10 Screen Test (Film quiz with Brian Trueman).

5.40 News with Richard Baker.
6.00 Nationwide (London and
6.25 Nationwide.
6.50 Barbara's World of Horses and Ponies.
7.15 Angels.
7.40 The Rockford Files
8.30 Yes Minister
9.00 News.
9.25 Play for Today: "A Room for the Winter" by Rose Tremain. A white South African writer facing imminent arrest for acts of sabotage, has escaped to England.
10.30 Norman St John-Stevas in conversation with the Speaker of the House of Commons.
11.00 Kojak starring Telly Savalas.
11.50-11.55 News Headlines.

Chris Dunkley: Tonight's Choice

Having been a drought night only a few weeks ago Tuesdays have been transformed into a flood. ITV present the second part of their new comedy series **It Takes A Worried Man** which has a better than usual script, perhaps because Peter Tilbury (playing the now standard central wimp) wrote it for himself. "Lillian," the lady on the crossed line, turns out to be Angela Down. He should be so lucky. **Brideshead Revisited** reaches Part 4 and Sebastian's rapid deterioration. Claire Bloom as his mother and John Gielgud as Charles's father both give superb performances.

Half an hour after **Brideshead** starts there is a three-way clash: BBC-1's "Play For Today," **A Room For The Winter** is about a homosexual triangle with a white South African writer at its apex; and BBC-2 starts a new series of **Your Life In Their Hands** with a programme about a woman who is called back after a mass X-ray because there is a shadow on her lung.

Immediately afterwards BBC-2 starts a new run of **Arena** with a study of the Mona Lisa and the extraordinarily widespread cult which surrounds her. ITV's **David Frost Special** looks at the self-styled "moral majority" in the U.S. and, if past programmes are anything to go by, content will be masked by technology. At midnight ITV shows Part 4 of **Going Out**, which might enlighten some about modern youth.

BBC 2

9.30 am CBI Conference.
11.00 Play School.
11.25-12.30 pm CBI Conference.
3.55 Antiques Roadshow.
4.35 Everybody's Doin' It.
4.55 In Search of . . . Boudica.
†5.40 The Five Faces of Doctor Who.
6.05 Grange Hill.
6.30 The Waltons.
7.15 News Summary.
7.20 Race Day.
7.35 World Chess Championships.
8.00 Top Gear.
8.30 Russell Harty.
9.00 The Last Song.
9.30 Your Life in Their Hands.
10.00 Arena.
10.45-11.35 Newsnight.

LONDON

9.35 am Schools Programmes. 12.00 Rod, Jane and Freddy. 12.10 pm Pipkins. 12.30 The Sullivans. 1.00 News, plus FT Index. 1.20 Thames News with Robin Houston. 1.30 Armchair Thriller. 2.00 After Noon Plus. 2.45 Heartland. 3.45 Looks Familiar: Denis Norden invites you to join him for another look back to the '30s and '40s and helping him look back are Dickie Henderson, Liz Fraser and Brian Johnston. 4.15 Tweety Pie. 4.20 Get it Together. 4.45 Vice-versa. 5.15 Emmerdale Farm.

5.45 News.
6.00 Thames News.
6.20 Help!
6.30 Crossroads.
6.55 Reporting London
7.30 Give Us a Clue: Host Michael Aspel and captains Una Stubbs and Lionel Blair
8.00 Rising Damp.
8.30 It Takes a Worried Man starring Peter Tilbury and Angela Down.
9.00 Brideshead Revisited.
10.00 News.
10.30 David Frost Special "Onward Christian Soldiers — the Moral Majority."
11.30 Talking Bikes.
12.00 Going Out.
12.25 am Close: Sit up and Listen.

† Indicates programme in black and white

All IBA Regions as London except at the following times:

ANGLIA

12.30 pm Gardening Today. 1.20 Anglia News. 6.00 About Anglia 7.00 Bygones. 11.30 Wheels. 12.00 The Jazz Series: Dick Morrissey and Jim Mullen join the Ronnie Scott Quartet. 12.30 am The Church and the Dragon.

ATV

12.30 pm Gardening Today. 1.20 ATV News. 5.15 Mork and Mindy. 6.00 ATV News. 6.05 Crossroads. 6.30 ATV Today. 7.00 Emmerdale Farm. 11.30 Wheels. 12.00 ATV News. 12.05 am Something Different.

1.20 pm Border News. 5.15 Mork and Mindy. 6.00 Lookaround Tuesday. 7.00 Emmerdale Farm. 11.30 Border News Summary.

CHANNEL

12.30 pm Gardening Today. 1.20 Channel Lunchtime News, What's On Where and weather. 6.00 Channel Report. 7.00 Survival. 10.28 Channel Late News. 11.30 Wheels. 12.00 Commentaires at Previsions Meterologiques.

GRAMPIAN

9.30 am First Thing. 12.30 pm Gardening Today 1.20 North News. 6.00 North Tonight. 7.00 Diff'rent Strokes. 11.30 Wheels. 12.00 The Jazz Series featuring Ronnie Scott Quartet and Georgie Fame and the Blue Flames. 12.30 am North Headlines.

GRANADA

1.20 pm Granada Reports. 5.15 Diff'rent Strokes. 6.00 Granada Reports. 6.25 This Is Your Right. 7.00 Emmerdale Farm. 11.30 The Jazz Series with the Ronnie Scott Quartet. 12.00 Wheels.

HTV

12.30 pm Gardening Today. 1.20 HTV News. 5.15 Ask Oscar! 5.20 Crossroads. 6.00 Report West. 6.30 Diff'rent Strokes. 7.00 Emmerdale Farm. 10.28 HTV News. 11.30 Wheels.

HTV Cymru/Wales—As HTV West except:—9.35-9.50 am Am Gymru. 10.15-10.30 Y Byd A'I Bethau. 11.39-11.54 About Wales. 12.00-12.10 pm Cwadi Cwac A'I Ffrindiau. 4.15-4.45 Camigam. 5.15-5.20 Bugs Bunny. 6.00 Y Dydd. 6.15-6.30 Report Wales 10.30 Cyfathrebwyr. 11.00 World in Action. 11.30-12.00 Benson.

SCOTTISH

12.30 pm Gardening Today. 1.20 News and road and weather. 5.15 Pet Subject. 5.20 Crossroads. 6.00 Scotland Today. 6.20 Job Spot. 6.30 What's Your Problem? 7.00 Take the High Road. 7.30 Marie Gordon Price in Concert. 11.30 Wheels. 12.00 Late Call. 12.05 am International Bowls.

SOUTHERN

1.20 pm Southern News. 5.15 Dick Tracy Cartoon. 5.20 Crossroads. 6.00 Day by Day. 6.30 Survival. 7.00 Emmerdale Farm. 11.30 A New Kind of Family.

TYNE TEES

9.25 am The Good Word 9.30 North East News. 1.20 pm North East News and Lookaround. 5.15 Survival. 6.00 North East News. 6.02 Crossroads. 6.25 Northern Life. 7.00 Emmerdale Farm. 10.30 North East News 11.30 Wheels. 12.00 The Bitterness of Death.

ULSTER

1.20 pm Lunchtime 4.13 Ulster News. 5.15 Cartoon 5.20 Crossroads 6.00 Good Evening Ulster. 7.00 Emmerdale Farm. 7.30 Country Style. 10.29 Ulster weather. 11.30 Bedtime.

WESTWARD

12.27 pm Gus Honeybun's Birthdays. 12.30 Gardening Today. 1.20 Westward News Headlines. 6.00 Westward Diary. 7.00 Mark It. 10.32 Westward Late News 11.30 Wheels 12.00 Faith for Life. 12.05 am West Country weather and shipping forecast.

YORKSHIRE

12.30 pm Looks Familiar. 1.20 Calendar News 3.45 Calendar At Your Service. 5.15 How's Your Father? 6.00 Calendar (Emley Moor and Belmont editions). 7.00 Emmerdale Farm. 11.30 Wheels.

RADIO

(S) Stereophonic broadcast
‡Medium wave

RADIO 1

5.00 am As Radio 2. 7.00 Mike Read 9.00 Simon Bates. 11.30 Dave Lee Travis. 2.00 pm Paul Burnett. 3.30 Steve Wright. 5.00 Peter Powell 7.00 Talkabout. 8.00 David Jensen. 10.00-12.00 John Peel (S).

RADIO 2

5.00 am Ray Moore (S). 7.30 Terry Wogan (S). 10.00 Susannah Simons (S). 12.00 John Dunn (S). 2.00 Ed Stewart (S). 4.00 David Hamilton (S). 5.45 News; Sport. 6.00 David Symonds with Much More Music (S). 8.00 The Crazy Gang Story (S). 9.00 Listen to the Band (S). 9.30 The Organist Entertains (S). 9.55 Sports Desk. 10.00 Tommy Steele—His Life, His Song (S). 11.00 Brian Matthew with Round Midnight. 1.00 am Truckers' Hour (S). 2.00-5.00 You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Morning Concert (S). 8.00 News. 8.05 Morning Concert (cont.). 9.00 News. 9.05 This Week's Composer: Darius Milhaud (S). 10.00 Zoltan Kodaly (S). 10.50 Northern Sinfonia Wind Ensemble (S). 12.10 pm Tchaikovsky and Bruckner Concert, part 1 (S). 1.00 News. 1.05 pm Six Continents. 1.25 Concert, part 2 (S). 2.15 Viola and Piano recital (S). 3.00 Bach Harpsichord Music (S). 3.45 NCOS Orchestra (S). 4.25 Jazz Today (S). 4.55 News 5.00 Mainly for Pleasure (S). 7.00 The Price of Victory. 8.00 Alfred Brendel Plays the Beethoven Piano Concertos: Last of three concerts from the Royal Festival Hall, London, part 1: Beethoven (S) 8.40 What Books I Please. 9.00 Concert, part 2: Verdi (S). 9.40 The Private Papers of Henry Ryecroft by George Gissing. 10.00 Smetana string quartet recital (S). 10.30 Words, Words, Words (S). 11.00 News. 11.05-11.15 Szymanowski (S).

RADIO 4

6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping forecast. 6.30 Today. 8.45 "The Dream Woman" by Wilkie Collins 9.00 News. 9.05 Tuesday Call 10.00 News. 10.02 From Our Own Correspondent. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Thirty-Minute Theatre. 11.35 Wildlife. 12.00 News. 12.02 pm You and Yours. 12.27 Lord Peter Wimsey by Dorothy L Sayers. 12.55 Weather, Programme News. 1.00 The World at One. 1.40 The Archers 1.55 Shipping forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Hatter's Castle by A. J. Cronin (S). 4.00 A Thorn in the Flesh. 4.15 The Grey Puzzle. 4.45 Story Time 5.00 PM: News magazine. 5.50 Shipping forecast. 5.55 Weather; Programme News. 6.00 News, including Financial Report. 6.30 Top of the Form. 7.00 News 7.05 The Archers 7.20 Medicine Now 7.50 Live Enquiry: How Do We Make Tomorrow Work? A debate on unemployment chaired by Brian Redhead. 9.20 Kaleidoscope. 9.59 Weather 10.00 The World Tonight. 10.30 No Minister 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 A Singer Remembers. 12.00 News

FT COMMERCIAL LAW REPORTS

Insurance custom cancels contract

GENERAL REINSURANCE CORPORATION v FORSAKRINGSAKTIEBOLAGET FENNIA PATRIA

Queen's Bench Division (Commercial Court): Mr Justice Staughton: October 30 1981

WHERE AN underwriter subscribes to an amendment to an insurance policy by initialling an amendment slip, the act of initialling creates a contract between him and the assured which can be unilaterally cancelled by the assured at any time before the remaining subscribers to the policy have initialled the slip.

* * *

Mr Justice Staughton so held when giving judgment for the defendants Forsakringsaktiebolaget Fennia Patria (Fennia), a Finnish insurance company, in respect of their counterclaim for FM 3,425,575 against the plaintiffs, General Reinsurance Corporation, an American reinsurance company, in an action arising out of a reinsurance contract concluded between the parties.

HIS LORDSHIP said that the problem arose out of the despatch of paper by Eurocan Pulp and Paper Company Limited from British Columbia to Europe. On the night of February 11 1977, there was a disastrous fire at a warehouse in Antwerp where some of the paper was stored. The whole warehouse was burnt out and the paper destroyed.

Fennia had provided open cover marine insurance for Eurocan, and that was still in force at the time of the fire. Fennia paid up the full amount of the loss, and the question now was whether they could recover from their reinsurers. There were two relevant reinsurance contracts. The first was the "whole account cover" and the second was the "specific cover."

*

The specific cover was for risks of fire and flood at places of storage, under a contract between Fennia and 28 reinsurance companies in London. The terms of that contract were set out in what was called a "slip policy." It looked like any other slip used in the London market but was intended to be the reinsurance contract itself and would not be superseded by a policy.

It was a general principle of the London market that a specific cover protected more general cover behind it. That might mean that the whole account reinsurers were themselves reinsured by the specific reinsurers when the loss came within the terms of the specific cover.

There appeared to be an overlap between the whole account cover and the specific cover, and on February 14 1977, Fennia instructed its brokers to prepare an amendment slip, which when initialled by the 28 insurers, would have the effect of regularising that anomaly by placing the specific cover unequivocally on top of the whole account cover, to be retrospective to January 1 1977.

The result would be, in respect of the loss, which amounted to Finnmarks 27m at Antwerp, that Fennia would bear the first FM 5m: the whole account reinsurers would bear the next FM 20m: and the specific reinsurers would bear FM 2m only. Without the amendment, Fennia would bear the first FM 5m, the whole account reinsurers would bear the next FM 10m, and the specific reinsurers, the remaining FM 12m.

*

The brokers presented the amendment slip to General Reinsurance, which was one of the 28 reinsurers, on the morning of February 14, knowing that there had been a fire at Antwerp but not knowing its extent. They mentioned it only after General Reinsurance had initialled the amendment slip. On the following day, after learning more about the fire, Fennia asked General Reinsurance to cancel the amendment, but the reinsurer refused. If it was cancelled, General Reinsurance would be liable for FM 12m, whereas if it was not cancelled, they would only be liable for FM 2m.

At no stage was the amendment slip presented to or initialled by all the 28 reinsurers, and it was not suggested that they were in any way bound by it or entitled to rely on it. The question was whether Fennia was entitled to cancel it. The issue was a matter of law, and of the custom and practice of the London insurance market.

In previous cases relating to slips the courts recognised the slip as a contract, but did not fully deal with the topic of offer and acceptance, and did not specify by what legal process the contract was concluded. His Lordship had the right to determine the usage and custom relating to slips on the basis of expert evidence.

*

Two propositions were clear from the evidence. First, that as soon as an underwriter had put his initials on a slip, he was bound by what he had subscribed. If a loss occurred the next day, he must pay. Secondly, that in the event of a broker obtaining subscriptions for more than 100 per cent of the risk, he was entitled to reduce proportionately the subscriptions of all, until they totalled no more than 100 per cent. That practice, known as "writing down," was accepted, at any rate in some quarters of the market, though perhaps not with great enthusiasm.

The result was that any underwriter might find that he was not entitled to receive the full premium for which he had bargained, because his proportion of the risk had been reduced.

In the light of the evidence that the market considered underwriters bound at the time of initialling, and the difficulty of finding any later stage at which the contract could be said to be concluded, his Lordship held that the act of initialling a slip was an acceptance on the part of an underwriter which created a contract.

The second proposition, that a broker might "write down" the percentages on an oversubscribed slip, provided at least one firm instance where one party had a right to modify unilaterally a concluded contract, in certain defined circumstances.

The question was whether any other instances existed, by reason of custom and practice, or arising from the need for business efficacy. The evidence showed that while an original slip was going round the market and was not yet subscribed for 100 per cent, those underwriters who had subscribed accepted that it might be withdrawn, but they might require a time-on risk premium if the cover had already commenced.

Those rights to cancel and to time-on-risk premium were binding in respect of the underwriter and the assured by reason of the custom and practice in the London market. They could also be supported in part by the need to give business efficacy to the contract.

Although there was no custom or practice specifically proved for amendment slips, there was no reason why the custom and practice proved for original slips should not extend to amendment slips. An assured was entitled to cancel an amendment slip until it had been subscribed by all the original underwriters, provided, perhaps, that he did so within a reasonable time, and subject to the payment of the appropriate time-on-risk premium.

Moreover, the requirements of business efficacy seemed to support the right to cancel an amendment slip.

Accordingly, Fennia was entitled to cancel the amendment slip and its counterclaim succeeded in the full amount claimed.

For General Reinsurance: Simon Tuckey, QC, and Jeremy Storey (Davies, Arnold and Cooper).

For Fennia: Simon Goldblatt, QC, and Jonathan Sumption (Ince and Co.).

By Rachel Davies
Barrister

FT wine column

EDMUND PENNING-ROWSELL'S articles will in future appear fortnightly on our Saturday pages. His next article will be published on November 7.

RACING

BY DOMINIC WIGAN

JOSH GIFFORD could be the man to follow to Fontwell today.

The former champion jockey, who has had so many successes on this Sussex track over the past few seasons, must be more than hopeful that Eddie can land the Rank Challenge Cup and Sarem Kybo the Petworth Novices Chase half an hour later.

Both horses will be ridden by stable jockey Bob Champion.

The five-year-old Prince Regent gelding, Eddie, was one of last week's most impressive winners when scoring at Plumpton. It will be disappointing if a 10 lbs penalty incurred there prevents him from winning again.

The powerfully made bay, who was completing a double when scoring over this course and distance last term, faces six rivals of whom only Vespucci and Toulouse are out of the reckoning.

Last year's winner, Killer Shark, has a formidable task with 16 lbs more in the saddle and forecast backers may do better with Seaway.

This compact Kalamoun gelding will be all the better for a recent outing, and is leniently handicapped. It was at his second attempt that he obliged last year.

Sarem Kybo, whose popular local owner, Isodore Kerman, was treated to so many happy moments through the exploits of Kybo, is another Findon runner in fine heart. Placed in each of his five appearances this season, this son of Orchadist can return to winning form now that the field for the Petworth Novices Chase has been decimated through withdrawals.

It was in a division of this race last year that Ta Jette sprang an 11-1 surprise for Gifford and Champion.

FONTWELL
2.30—Glenhawk
3.00—Eddie*
3.30—Sarem Kybo***

LEICESTER
1.15—Hippo Disco
3.15—Sugar and Mint

SEDGEFIELD
2.15—Lord Provost**

How Chris Bull is coping with his growth pains

Small Business

"UNLESS you work for yourself it is very difficult in this country to accumulate [illegible]." That, in a nutshell, is why [illegible]-year-old Christopher Bull, [illegible] five years ago a senior and [illegible] paid employee of a major [illegible] company, is now running a small engineering business near Bristol.

Sabre Tooling, the company which he and a couple of associates set up to manufacture tool holders for the current generation of computer controlled machine tools, is today a flourishing concern.

From a standing start in January 1977 turnover is now well over £[illegible]m and pre-tax profits this year, [illegible] inevitably affected by the recession, should [illegible] around £[illegible]. Exports are growing rapidly [illegible] the U.S., Spain and Scandinavia the company's chief overseas [illegible]. And, perhaps [illegible], the company has [illegible] extended its [illegible] by opening [illegible] Keighley [illegible] to cope with the strong demand for its products.

As a result Bull and his colleagues are [illegible] than they were [illegible] to their original aim, which is to become the most efficient and profitable supplier of tool holders in the UK, and thereby be able to sell out to the highest bidder when they are in their early 50s.

Like most people who set up on their own, Bull's motives were mixed. "Obviously a new business has to find a gap in the market and we started [illegible] as far back as [illegible]. I was general manager of Newall Engineering's Tooling Division in Norfolk at the time and looking ahead I could see that there was going to be a strong demand some time in the future for tool holders to equip numerically controlled machine tools.

"We felt engineering had a bright future but from our line experience we realised that [illegible] achievements were often irrelevant in a big company if decisions are taken in London or even the United States."

Financial considerations, however, were fundamental. "I have always thought," said Bull, "that if you are employed your income tends more or less to match your expenditure.

"If you run your own business you reinvest everything you get, with the result that it is eventually possible to build up a substantial asset."

Christopher Bull is the first to admit that he enjoys an "unfair" advantage over other individuals starting up their own busines for the first time, having, in effect, done so twice before. In 1963, for example, he set up Newall's Tooling Division in Fakenham, and six years later was the man responsible for building up from scratch another manufacturing unit in Spain 50 per cent owned by Newall.

One of the most important lessons he learnt during this time is how much working capital a manufacturing company needs at the outset. "In 1968 we set aside 20 per cent of the initial capital but quickly had to go back to the parent company for more. The second time I doubled that but it was still not enough. At Sabre Tooling 55 per cent of our original funds were earmarked for working capital and even so we only just scraped through."

Obsession

Small businesses, Bull says eat up cash in the early days and many of those he has seen fail did so because their managers did not appreciate this point. "People tend to concentrate on fixed assets such as plant and machines and once these have been purchased they overlook the day-to-day needs."

Bull's other, related, obsession is cash flow. "The whole key to a small business," he says, "is not profits but monthly cash flow. When we started we were determined to keep a regular check on this and tried to get all our outgoings—rates, interest charges, bills, etc—on to a monthly basis. This information is now all on computer but it was originally itemised quite simply on a single piece of paper."

Profits, he points out, take into account stock changes and as a result can be a misleading yardstick. "Small companies in the early stages live or die by cash."

Cash flow statements, moreover, allow a businessman to anticipate months which will see a heavy cash outflow. "It is then possible to go and tell your bank manager to expect a bigger than usual dent in the overdraft limit. Very few people bother to do this but it is much better to keep a bank fully informed about short-term difficulties. It will pay off at a later date."

No company, of course, can survive without a good sales force and chivvying his five-man team is a job which takes up much of Bull's management time. Delivery, however, is even more vital. "This has for so long now been the British disease but a small firm here has a big advantage."

A small workforce, he explains, is highly flexible and, as long as the manager develops a close relationship with his employees, it is easy to react quickly to changes in demand—through overtime and week-end working, for example.

The 40 or so employees at Sabre all have the chance to become shareholders but besides this personal incentive they regularly see the financial position of the company for themselves. "If anybody needs, say, a new file or overall he or she goes an dhas a look at the cash flow statement. If we are having a bad month the chances are that they will not be able to have the money and that, more than anything, brings home how important it is to meet monthly targets."

Roger Taylor

Chris Bull (right) and his co-directors and shareholders Douglas Stone (left) and Cavan Browne. "The whole key to small business is not profits but monthly cash flow," he asserts

Although Sabre clearly seems to suit Bull's relentless energy and ambition, no job is without drawbacks.

Financially, for example, a man running his own show is never as well off in the early stages as one of equal ability employed by someone else. "Because you are always ploughing money back into the business you hestitate to pay yourself a good salary. Your family life suffers and they have to make sacrifices too just at a time perhaps when they would like money to buy nice things.

"Because of personal commitment there is little time to do anything else with your life but above all a man who owns his own small business has to put up with the constant worry. Everything you own is tied up in one enterprise and you never forget that if it goes bust you may lose the lot."

Although impressed by the clearing banks' "genuine commitment" to the small firms sector and the range of financial services which they now offer, Bull is highly critical of the personal guarantees which they almost invariably require.

"I think their attitude is disgraceful," he says in a rare immoderate aside. "Most countries' bankers do not behave like this. Besides being a noose round your neck these guarantees can hamper a company's development. If you know you are likely to be thrown out of your house if expansion plans turn sour, you may well decide not to take a risk."

For this reason he is an enthusiastic supporter of the Government's Loan Guarantee Scheme. (Under its terms the Government will underwrite 80 per cent of "approved" loans in return for a premium equivalent to 2.4 percentage points of the sum borrowed.)

Penalty

"I do not actually think that much of the money being lent under this scheme is going to businesses which would not have got the funds anyway. That, though, does not matter. What is important is that personal guarantees are not so often required because the Government is carrying most of the risk."

Hard work is perhaps the best documented penalty for running your own business and few who do so enjoy a nine-to-five routine. One of Bull's favourite stories is how he won a new customer — a millionaire as it happily turned out — in Southern California. An inquiry for a substantial number of tool holders arrived in his office one Thursday evening with the crisp instructions that if Sabre could deliver by the following Monday the order was in the bag.

Try as he might Bull could not find a freight carrier who could do the job in time so, arrived with a couple of very heavy suitcases, he flew standby to Chicago, then on to Los Angeles and appeared—much to his customer's astonishment—first thing on Monday morning.

Although widely experienced in the engineering industry before setting up Sabre, Bull, like any small businessman, needed a financial adviser. He is firmly convinced that the banks are best—he has dealt mostly with Lloyds and Barclays—and points out that the clearers offer a tremendous amount of "cheap" advice.

He has noticed in particular that over the past couple of years term lending (say 5 to 10 years) has become much more readily available.

Accountants, Bull argues, are not generally geared up to provide financial advice. "The main job of a small accountant at any rate is to do the audit and look after shareholders' funds. A financial adviser has to be closely involved with the business and in my experience an accountant seldom finds this possible. What's more, accountants in this country are more preoccupied with profits than cash flow."

He looks guilty about returning to his favourite theme but adds, philosophically, "we all have different hobby-horses."

Gearing—too high or too low?

THOSE who assert that capital gearing (the ratio in a company between debt and equity) is "too low" in the UK might find food for thought in the latest CBI Review of "Smaller Firms in the Economy: 1981."

In a chapter devoted to "The question of gearing" the confederation takes issue with those who argue that UK levels of gearing have in the past inhibited economic growth.

Discussing international comparisons which on the face of it show higher levels of debt in relation to equity in West Germany, France and Japan, the CBI points out why these conclusions should be treated carefully.

More than 50 per cent of the overdraft facilities granted by banks in the UK, for example, are not taken up, a point which emphasises that gearing is a function of demand for, as well as supply of, funds. On the other hand, the CBI does not deal with the frequent criticism that banks have been reluctant to lend longer-term.

There is also the problem of revaluing fixed assets—these form an important part, of course, of shareholders' funds. The CBI's suggestion is that the practice in West Germany and Japan at any rate would tend to overstate gearing, though it admits that the extent to which this is the case in the UK is not so well known.

There are other difficulties in measuring shareholders' resources — viz the distortions of deferred tax and goodwill — plus evidence that other governments (West Germany and France, for example) are concerned that their gearing is too high.

Is there a "correct" level of gearing? The CBI says it has failed to find any evidence linking company size or company failure and gearing. Not surprisingly, it also concludes that an optimum level would vary with changes in the extent to which the economic environment encourages the prosperity of business. And it challenges those who assert that the "correct level" is higher than the actual level.

A new lease of life for production aid

A "RETURN" of [illegible] on an outlay of [illegible] is a record which speaks for itself. [illegible] would therefore suspect [illegible] in the Department of Industry had little difficulty [illegible] in persuading [illegible] Ministers to extend the Manufacturing Advisory Service (MAS) for another four years.

MAS was set up in 1977 to provide subsidised consultancy on manufacturing problems to companies with over 100 (now 60) but below 1,000 employees. Its aim has been to improve companies' competitiveness by calling in consultants in the relevant [illegible] paying the full cost of their first 15 days' work and half the cost of a further 15 man-days. At the moment this costs taxpayers about £[illegible]m a year.

The companies themselves estimate the quantifiable benefits at a total of £60m of costs savings. Independent assessment of the service also suggests that less tangible improvements may also be considerable.

According to MAS's steering committee, 84 per cent of companies having consultancy assignments found them worthwhile and about 30 per cent followed up the free initial project with one for which they paid half the cost. Generally more than 70 per cent of recommendations made have been or will be implemented.

Discussing the reasons for the scheme's success recently, John Wakeham, Parliamentary Under-Secretary of State for Industry, drew attention to the use made of retired but experienced industrialists. "It is often alleged that there are many firms who are reluctant to accept outside assistance or advice on how to improve their manufacturing efficiency—particularly when the advice comes via Government schemes. The retired industrialists . . . are readily accepted as credible advisers and they participate in the choice of project."

MAS is operated on behalf of the DOI by the Production Engineering Research Association (PERA), an independent research organisation financed by member companies. Almost half the consultancies, however, are "sub-contracted" to outsiders.

MAS was due to end next year but it is now being extended until 1986, by which time it is hoped to cover about 80 per cent of eligible firms. It can be contacted at PERA, Melton Mowbray, Leicestershire LE13 0PB. Tel 0664 64133.

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Trading company acting on behalf of the Norwegian inventor of a new, patented, building block system seeks contact with UK company interested in joint venture/licence arrangement to produce and market the blocks in UK. The blocks are designed to be interlocking and it is possible to build all sorts of structures such as houses, garages, sheds and industrial buildings by just putting one block on top of the other using unskilled labour as there is no need for masonry work. The whole system consisting of various types of blocks for foundations, walls, etc., is approved under the very strict rules of the Norwegian building authorities and is now being marketed world-wide by the Swiss world licence holder. Highly automated production machinery is readily available and no company interested in marketing a very profitable and revolutionary product for the building industry should miss this opportunity to get in touch for further details and discussions.

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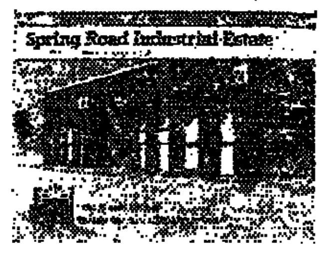

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Sussex Place, Regent's Park, London
NW1 4SA. Telephone: 01-262 5050.

BUSINESSES FOR SALE

BUSINESSES WANTED

APPOINTMENTS

Group treasurer at Tricentrol

Mr W. R. Harrison has been appointed group treasurer of TRICENTROL from November 16. He takes over from Mr Bruce Patterson who retires at the end of the year and, in addition, will have responsibility for the Group's corporate finance activities.

Mr Harrison was formally deputy managing director with Lehman Brothers Kuhn Loeb and, previous to that, was a senior executive of the British National Oil Corporation from its inception.

★

Mr M. J. Meyrick has been appointed to the board of MORGAN GRENFELL AND CO.

★

Mr G. W. T. Johnson has been appointed a Director of THE CHERRY TREE MACHINE CO., a subsidiary of the Weston-Evans Group and a member of the engineering division of Johnson and Firth Brown.

★

Mr Brian Gibbs has been appointed company secretary of the TAUNTON CIDER CO.

★

Mr Roger Hollick, chief executive, has been appointed a Director of the DERBYSHIRE BUILDING SOCIETY. He has been general manager and secretary since 1977. Mr Roger H. Boissier has relinquished his directorship due to increasing UK and overseas business commitments with the Whessoe Group, and the British Gas Corporation.

★

Mr Victor P. Rigby, chairman of EDBRO MACHINE TOOLS, Walsall, has additionally taken over as managing director from Mr R. D. Murphy who has left the company.

★

Mr Graham Tilford, who retired as investment manager of BP Pension Fund in March, has been appointed editor of The ISIS Bulletin, a quarterly economic and multi-sector investment review published by stockbrokers Laurie, Milbank and Co.

★

Mr Michael Beales, who has responsibility for central services at Laing Properties' head office in Watford, and Mr Robin Cordwell, president of Laing Property Corporation, the company's Canadian subsidiary based in Vancouver, British Columbia, have been appointed to the board of LAING PROPERTIES.

★

Mr David Collett has been appointed first director of WATERAID — the British voluntary effort for the water decade. Wateraid is a voluntary body, formed by the water industry in England and Wales, together with Oxfam, Save the Children Fund and VSO. Its purpose is to be the focus for British voluntary effort in support of the United Nations water decade which aims to provide clean water supply and sanitation throughout the world by 1990.

★

CEMENTATION INTERNATIONAL technical director, Mr Michael J. Slater, has been appointed to the main Cementation International (CIL) board, a Trafalgar House company.

★

Dr Peter Dyer has been appointed managing director of CLEVELAND OFFSHORE (COL) a Cleveland Engineering Holdings Company—the structural steel arm of the Trafalgar House Group. Dr Dyer was formerly oil exploration and development manager at ICI and was a director of ICI Petroleum, ICI Petroleum Services and Impkemix Inc, U.S.

★

Mr Stanley E. Davis has resigned from the partnership of SABIN, BACON WHITE AND COMPANY, stockbrokers, Birmingham, due to ill health but will remain as a consultant. Mr Timothy J. Ryan has been admitted to the partnership.

★

Mr Joe Singer, chairman and managing director of POSTER MEDIA has resigned through continuing ill health. The new chairman is Mr Stan Dunham and the new managing director Mr Nick Reed.

★

AUSTRALIAN MUTUAL PROVIDENT SOCIETY has appointed Mr David Barofka as chief manager of the Society's UK branch, taking over from Mr L. F. Stanwell, who has been appointed manager at New Zealand branch.

★

Mr Dugal H. Beedie, Mr Robin W. Finlayson, Dr Robert Harris, Mr James R. Morgan, Mr Anthony W. Silvester and Mr Keith Stein will be admitted to the partnership of ARTHUR YOUNG McCLELLAND MOORES AND CO. Mr Beedie will be resident in the Dundee office, Mr Finlayson and Mr Silvester in the Birmingham office, and Dr Harris, Mr Morgan and Mr Stein in the London office.

★

Mr Julian R. Martin Smith has been elected chairman of THE RIVER PLATE AND GENERAL INVESTMENT TRUST CO.

★

Mr Alan Slater, managing director of Bensoir of London, has been appointed to the board of MEN'S AND BOYS' WEAR EXHIBITIONS.

★

Dr Sotiris Papasolomontos has been appointed national cattle products manager for DALGETY SPILLERS.

★

A new managing director has been appointed by ATLAS COPCO (GREAT BRITAIN). He is Mr C. Melville Errington, who moves over from president of Atlas Copco North America's industrial compressor division.

★

Mr Chris Wilding has been appointed technical director of THANDAR ELECTRONICS, St. Ives, Cambridgeshire.

★

Mr A. J. Wheway has been appointed a non-executive director of ERF (HOLDINGS).

★

Mr Anthony Hammond has been appointed director of administration and operations with BANK OF AMERICA INTERNATIONAL. He was previously an associate director with the Royal Trust Company of Canada.

★

Mr Stephen Gibbs has joined the board of BAIN DAWES (SCOTLAND) as a non-executive director.

★

Mr Ian Goodman, company secretary at HEELAMAT HOLDINGS, has been appointed a main board director with responsibility for day-to-day financial administration.

★

Mr Alan D. Marriott previously audit manager for the Far East operations of American Express Co. has joined WOOD BUTKOW KEMP & PARTNERS, financial loss prevention consultants, as a senior consultant in their City of London office.

★

GOODEARL-RISBORO has appointed Mr Peter Askew as sales director.

★

Mr Ken Hall has been appointed a director of TROLLOPE & COLLS MANAGEMENT, management contracting arm of the UK building division of Trafalgar House. Mr Hall, formerly managing director of Holland Hannen & Cubitts, will be responsible for production.

★

AGB Research has set up AGB INFORMATION SYSTEMS, the board of which will comprise Mr Alan Bates (chairman), Mr David Elyan, Mr Bernard Shuck and Mr Alan Smith. Mr Robert Ainsworth has become financial controller of the new company.

★

Mr Theo C. R. van der Meer has been appointed marketing director for ORTHO PHARMACEUTICAL. He was previously marketing manager for Bristol Myers in the UK.

★

Mr Peter Thackham has been appointed production director of THERM-A-STOR.

★

Mr Edgar McCaughrie has been promoted to managing director of FILMCO INTERNATIONAL, Inc., Sedgefield, Stockton-on-Tees, a business unit of RJR Archer, Inc., a division of R. J. Reynolds Development Corp., packaging subsidiary of R. J. Reynolds Industries, Inc., Winston-Salem, N.C., U.S.

★

Mr J. Brian Davies is to become managing director of BOWMAKER from January 1. He is presently an assistant managing director and will succeed Mr Gordon Stevenson who retires on December 31, after 46 years' service.

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‡ Call deposits £1,000 and over 13½%.
§ Demand deposits 14%.
‖ 21-day deposits over £1,000 15%.
¶ Mortgage base rate.

THE ARTS

York University

La Dafne

by ARTHUR JACOBS

Musical performances will appropriately adorn the exhibition which opens at the Victoria and Albert Museum this week under the titale *Splendours of the Gonzaga.* As dukes of Mantua the Gonzaga family were patrons of Monteverdi and of his first opera *Orfeo.* Not *Orfeo*, however, but an unfamiliar Mantuan opera of one year later is being presented here by a group of Mantuan singers and instrumentalists. This is *La Dafne* by Marco da Gagliano, commissioned for a ducal wedding feast in 1608. York having established itself as a lively centre of early music, it was appropriate that a preview should have been granted at the Lyons Concert Hall of York University on Saturday evening.

It is a much shorter work than Monteverdi's lasting little more than an hour in performance. Yet it is not unworthy of the comparison as a Polydor recording has already shown. With *Orfeo* it shares much more than a common basis in classical myth. It exalts the musically expressive powers of that newly found device, the recitative, in contrast with lively, short choral and instrumental movements. The climax of its action—the metamorphosis of Daphne into a laurel tree as she flees from the amorous Apollo—is conveyed not directly but by the longer narration of a messenger as Eurydice's death is conveyed in Monteverdi's music.

Marco da Gagliano in the printed score of *La Dafne* omitted to provide details of instrumentation, but these can be worked out reasonably enough. What the composer did supply was a copious instruction on the physical staging of the drama—including the positions of the soloists and chorus, their actions and facial expressions. *La Dafne* thus offers the modern performers a marvellous opportunity of recapturing the style of a work that stands almost at the very birth of opera. That opportunity was regrettably not taken in this performance. The work was only semi-staged, the vocal performance had few touches of distinction and the musical edition was open to question—particularly the casting of Cupid as a tenor when the score places the part in the soprano clef, indicating a boy's voice or a woman's as substitute.

Ovid, who, as the Latin author of the *Metamorphoses*, is entrusted with the prologue of the opera, entered in evening dress. The chorus of five singers, likewise dressed (with a quite inadequate soprano and tenor) stood behind the orchestra. Apollo, Venus, Cupid and Daphne acted in costume but with inappropriately modern hairstyles instead of wigs or head-dresses. To deliver the narration of Daphne's fate a recorder player from the orchestra rose from his seat and became a counter-tenor of not very secure technique.

The stage director (Ferruccio Bolognesi) failed indeed to integrate the work in any convincing — let alone authetic — way. Dramatic action remained rudimentary throughout. One could listen with great pleasure to the Apollo of Mario Bolognesi, who cultivated tone and ease of line encompassed all the difficulties of coloratura which the composer imposed. Daphne (Carmen Vilalta) and Cupid (Giuseppe De Vittorio) sang acceptably: not so the Venus. The conductor, harpsichordist and musical editor of the score was Claudio Gallico, whose 10-strong instrumental team played neatly on their period instruments: a trio of two recorders and dulcian, a forerunner of the bassoon, showed a particularly enjoyable artistic skill.

Festival Hall

Philharmonla

by ANDREW CLEMENTS

In March next year Sir William Walton will be 80. No doubt the occasion will be lavishly celebrated when the time comes, but on Sunday evening at the Festival Hall the Philharmonia Orchestra presented its own tribute four months prematurely. The orchestra has had a long association with the composer and his music especially on record, and the performance of the first symphony that Bernard Haitink conducted will this week be transferred to disc by EMI. Each decade seems to product one version of the work; in turn Sargent, Previn and most recently Handley have held sway. Haitink's advocacy is as welcome as it is surprising; that he is totally convinced by the score was quite obvious.

A conductor with such unerring architectural sense might have been expected to produce a firm, coherent account of the first movement, but it began almost placidly, with little hint of spite or frustration, the horns' germinal chord carefully assembled, the strings' ostinato eased into being. But it gradually became clear that the centre of gravity of the movement had been precisely located; everything built towards the recapitulation and towards the Sibelian waves of sound before the coda. Nothing was wasted; the total effect was as overwhelming as in any more brutal performance, and more organic.

There is always the sense in this symphony that the battle is over with the end of the first movement, that the rest merely ties in loose emotional ends. Haitink's scherzo lacked an edge of *diablerie*, though it showed off some splendidly deft orchestral playing, but the slow movement (a very measured reading of its Andante marking) was woven into a most uplifting idyll, a succession of beautiful woodwind solos, timeless and remote.

That the conductor had absorbed the symphony whole was most tellingly shown by the finale, which gave space for the opening flourishes to make an effect instead of hurrying, embarassed, into the movement proper. Both fugatos were despatched with enormous élan; the solo trumpet's final nostalgic remembrance of things past was perfectly etched against the general excitement. Earlier Haitink had conducted an exciting account of Walton's *Scapino* overture, hard driven rather than witty, and accompanied Radu Lupu in Mozart's C minor piano concerto, a limpid, unadorned reading, moving in a curiously dispassionate way.

Detail for "By the Sea, Evening" by John Hous ton, and "Girl on a Terrace" by Patrick Caulfield

London Galleries

Scotland the brave by WILLIAM PACKER

One of the most frustrating and wasteful of our fixed attitudes within the art world is that which inclines us so readily to identify certain artists with particular regions and circumstances. Conveniently localised and thus contained, they see themselves patronised and insensibly demeaned, the more general acceptance and appreciation of their work considerably inhibited, and the true reading of their achievement and comparative standing denied. Often the artists themselves connive at this arrangement, preferring, beneath the mask of resentment and bad luck, to bask safely close to home than to take their chances in cooler, choppier waters.

No regular visitor to Scotland, for example, could do other than confirm that Scottish art remains consistently remarkable for its interest and accomplishment, something indeed in which to take a real British pride. But in London we see little of it, and, out of habit, what little does come our way is put into that special box marked "Scotland," with every allowance most carefully made, and thus made innocuous. Scottish art shown as a matter of course, without special pleading and with every confidence in the broader British context, would be none the less national for that; and we would all gain by it.

Meanwhile we should be grateful to the few Scottish artists who do show in England with any regularity, by which I mean not those who have taken Dr Johnson's hint for good, but those who remain at work in the northern Kingdom; and more than any other it is the Mercury Gallery which gives them the opportunity. John Houston is the latest (until November 21), and his new paintings, the product indeed of a prodigious and very late burst of activity these few months past, mark a renewed vigour and confidence in his work, and real development.

No artist's work, if indeed it is art, is ever immutable: change, shift, growth are all as necessary as they are in any case inevitable, though they may be slight enough. The process of accommodating and resolving them, however, is not always easy, and Houston would most certainly admit that he has had a difficult passage for a year or two. He is an expressionist and a colourist, and with him each picture must be made and resolved there on the canvas, a direct physical achievement. If it goes wrong, it must be accepted as something quite else, or done again. As with cooking, serious, careful thoughtful, intuitive, practical art that it is, tinkering does not help. But though he had never abandoned the figurative motif, land and sea-scape in particular, he moved towards a Rothkoesque simplicity of surface and image, close to abstraction, that for him represented a kind of trap, a predictable and over precious mannerism.

He has broken out of the impasse by the simple expedient of returning to the figure: and the struggle, the battle to make the figure work, both in itself and in relation to the landscape, has freed his handling once more, which is as bold and decisive as it is unaffected. The odd side-effect of this is that the occasional and simplest of seascapes, the bare restatement of his long established formula, is laid in with a panache and practical effectiveness that a year or two ago was impossible for him. To add a steamer at a stroke is merely to demonstrate his recent high spirits. He is more than happy to nod at his mentors, for he knows he remains nevertheless his own man, and for us here to think of artists as various as Nolde, Munch or Wilson Steer at Walberswick, is to acknowledge Houston himself as a mature and particular artist.

Patrick Caulfield, who is currently enjoying a major retrospective at the Tate (until January 3) is an artist of a very different stamp, everything indeed that Houston is not: cerebral, ironical, impassive, detached. A superficial cast across these 20 years' work would suggest that in that time it has not moved very far. The reason is fairly clear: if it is not inherently contradictory to say so. Caulfield celebrates the banal, and so banal indeed is the imagery, whether it is the earliest iconic still life or the latest, largest café interior, that it brooks no interference from the unwary or the uncurious. The image alone comes across, belying its true sophistication, its double nature as artifice and object.

The work, in fact, is rather more intriguing than it at first appears, growing palpably curiouser and curiouser under consideration. My own invariable experience at any exhibition of Caulfield's work is to have an initial certainty of expectation, sometimes amounting almost to boredom, insidiously subverted into a positive enjoyment. His paintings are, after all, very clever and beautifully made things.

The drawing of the image is simplified schematically, just so, describing space, establishing character with absolute authority and yet the barest minimum of means. The colour, laid on for the most part impersonally and without inflexion, seems at first arbitrary and unhelpful. Thus Caulfield sets the stage for his own highly particular, exquisitely judicious interventions and painterly teases: the trompe l'oeil modern clock on its awful veneer, the photo-realist fountain outside the window, green sky, orange sky, goldfish and a Matisse joke, National Geographical tulips, and the view across the lake. In his imagery he is the connoisseur of the awful, the kitsch and the self conscious, yet he refines and transforms everything he sees, so that there is no condescension in the work, and the joke, if there is a joke, lies elsewhere. Above all he is a colourist, for without the colour his work falls away into clever graphics; but he is a colourist at a distance, of perfect if outrageous taste, a kind of modern mandarin. He ponders, decides, acts with a certain circumspection and style, and leaves personal expression to shift for itself.

This exhibition was organised by the Walker Art Gallery in Liverpool, with help from the Arts Council. Its only other showing is this at the Tate.

Round House

Camden Jazz Week

by KEVIN HENRIQUES

It was perhaps fitting that Dickie Dirts, the London organisation specialising in selling what could be described as anti-Establishment clothing and vigorous campaigners against the archaic shop opening hours which blight this country, should sponsor six nights of jazz, basically an anti-Establishment form of musical expression, which they so successfully did last week at the Round House. Whether this first-time sponsorship was successful from their viewpoint is a Dickie Dirts decision but the array of international talent certainly gave value-for-money customer satisfaction if the last two evenings *were a yardstick.*

Friday was majestically dominated by the slight figure of Sheila Jordan who with simplicity, intensity, integrity and complete musicianship demonstrated what a jazz singer really is. There isn't enough space to do justice to her interpretation of songs, familiar and unfamiliar, to which she brought absolute dedication and involvement. Her voice may not have an immediately identifiable sound but the skilful way she employs it, her dexterity with space and intervals, and becoming a fourth instrument —a trumpet—with her backing trio constantly amazes. Her reconstruction of the banal "What'll I do?" and the extended workout on "I remember you" were stunning.

The opening part of the evening was devoted to an instrumental virtuoso, John Surman. Fronting a four trombone, three trumpet, bass and drums band, Surman played new compositions by John Warren. These gave ample room for Surman to show his commanding facility on tenor, soprano and baritone saxes as well as bass clarinet. Warren's writing utilised the comparatively small forces in a most productive way—two of the trombones were the bass type, trumpeters doubled on flugel-horn. But Surman's mobility on the baritone and his exploration of its upper register were the enduring memories of a set brimming with thoughtful, interesting charts and responsive section and solo playing.

Saturday was a South African celebration with two celebrated sons—one Cape Coloured, one white—of that country sharing the evening. Abdullah Ibrahim, better known as Dollar Brand, presented an engrossing 75 minutes of his unclassifiable piano explorations. Playing almost non-stop but evoking a generous variety of music from jazz and without, he captivated his listeners. Drawing upon his fertile heritage of musical experience he at times caressed *the keys like a performer of* romantic piano music, full of shading and nuance. He shifted the tempo and moods adroitly taking in boogie woogie, rollicking church music and, unsurprisingly, creating a montage of homage to his mentor, Duke Ellington, including in his portrait "Chelsea Bridge," "Lush Life" and "In a sentimental mood."

Climaxing the evening, and the week, was the 15-piece Brotherhood of Breath led from the piano by its creator Chris MacGregor. Also evoking the music of South Africa in its rhythmic and tonal approach this latest and much-changed edition of the band—two bassists, two drummers, no Dudu Pukwana or Louis Moholo—was more disciplined and coherent than before.

There seemed to be more reliance on written arrangements and less of the free-for-all freak-outs which characterised the band in the past. The musical energy was as supercharged as ever. Ensembles had that attractive raggedness which fits the band's style. There was more tunefulness in the compositions and, for once, textures and colouring in slower tempos. But the exotic South African roots have not been lapped and with its new multinational line-up MacGregor's Brotherhood could be on the verge of a welcome renaissance.

Copenhagen Theatre

Earthworms by OSSIA TRILLING

The symbolical title that the Swedish dramatist P. O. Enquist has given to his new play, the third member of a noted trilogy, that began with *The Life of the Tribades* and *To Phaedra*, is *From the Life of the Earthworms*. In that lowly species of animal life Enquist finds an apt analogy with the lowest levels of human existence. Unlike *Tribades*, first seen in Stockholm, but like *To Phaedra*, *Earthworms* saw the light of day at the Royal Theatre in the Danish capital. Its protagonist is the lowly-born Danish writer Hans Andersen, luckless in his literary ambitions and in his sexual and social life alike.

Enquist's dramatic framework is a fictional encounter in Copenhagen in the year 1856 between Andersen and Johanna Luise Heiberg, herself no mean authoress of vaudeville farces, a well-known actress and the wife of the celebrated writer Johann Ludwig Heiberg. Enquist's play carries the subtitle "a family portrait" and is partly inspired by Wilhelm Marstrand's painting that can be seen on display in Copenhagen today.

This familiar painting shows three figures seated at or near a table and is called "Mrs Gyllenbourg reads one of her stories to Mr Johann Ludwig Heiberg and his wife." As one makes one's way from the foyer of the Royal Theatre's new *experimental workshop theatre* (the Grabrodre Theatre) into its 200-seater auditorium, one passes through an anti-chamber and a life-size, but expressionistically distorted three-dimensional wax-figure reproduction of the painting, noting the veiled head of one of the listeners as a death's head.

Enquist reveals how ambition can drive the individual to higher things, but how he, or she, can so often relapse into brutality and barbaric behaviour. In what is virtually a duologue—since the aging Heiberg (Erik Mork) is little more than a cipher and the mumbling occupant of the invalid-chair, who may or may not be Mrs Heiberg's senile mother, acts only as a sounding-board to the others' explosions —Brigitte Price and Jorgen Reenberg movingly represent the combative female and the ineffectual male protagonists of a piece that might equally have been subtitled "Love's Denial."

Poor old Andersen! The man, who failed to realise his true worth as a teller of fairy-stories, *began by committing a dreadful* faux pas at a royal reception at Court, where he had hoped to find support for his unsatisfied literary ambitions, and tactlessly came to seek solace in Mrs Heiberg's salon, only to be derided and humiliated still further. The plot may seem contrived when stated so baldly, but in the event, as in some Greek tragedy, the demeaning social and spiritual circumstances of the bourgeoisie of the times are revealed in all their naked reality. The hollowness of the illusory world of ideals, something that Ibsen, too, depicted as inevitably leading to disaster is laid bare before our unbelieving eyes.

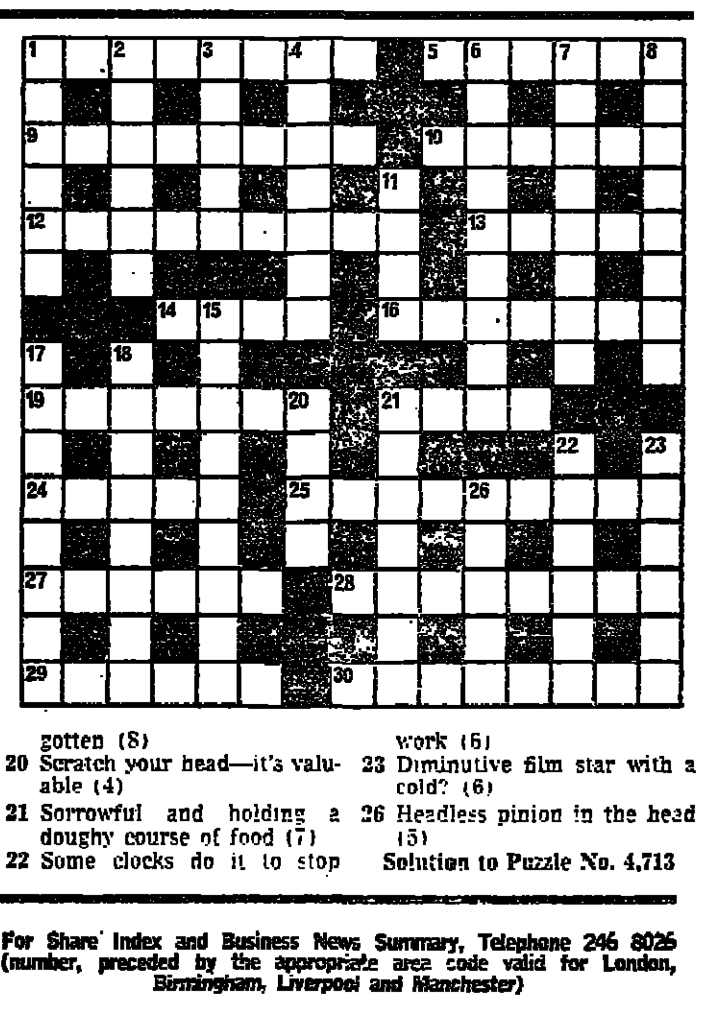
F.T. CROSSWORD PUZZLE No. 4,714

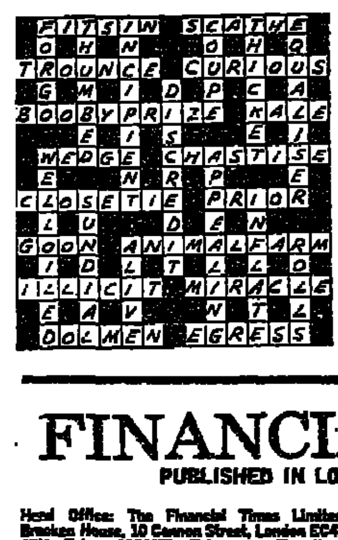
ACROSS

1 Sense the affirmative in a crew (8)
5 A very loud noising abroad in business (6)
9 Wipe out a part of a joint (8)
10 Cavity holding insect with spirit (6)
12 Mixed a coreless dish of food (9)
13 The Spanish people of the wood of old . . . (5)
14 . . . or wood you initially make pallid (4)
16 Instrument to turn and catch . . . (7)
19 . . . and instrument for a doctor in a pleasure trip (7)
21 A wise herb (4)
24 Professional thief and his staff? (5)
25 Where horses run and jump but it's wrong to make money thereon (9)
27 Concealed in the French marquee (6)
28 Note is followed by note to make as light as possible (8)
29 Tell soldiers to be out of office (6)
30 Opportunity to confront railway in court (8)

DOWN

1 Metropolitan making record with cunning following (6)
2 For the self-centred person it goes on changing (6)
3 Fibre contained in bristles (5)
4 His conservative life-story (7)
6 A touching yarn (9)
7 I'm a corny variety with bitterness of feeling (8)
8 Chew the cud, but think about it (8)
11 Looks up and down (4)
15 Store I catch making knitted fabric (9)
17 Cane the French ringleader? It needs a keen disciplinarian! (8)
18 Wicked about the start of term but never to be forgotten (8)
20 Scratch your head—it's valuable (4)
21 Sorrowful and holding a doughy course of food (7)
22 Some clocks do it to stop work (6)
23 Diminutive film star with a cold? (6)
26 Headless pinion in the head (5)





Solution to Puzzle No. 4,713

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Tuesday November 3 1981

The piper must be paid

PERHAPS half the readers of this column are hardened law breakers who habitually commit premeditated illegal acts which are closely analogous to stealing. The nefarious practices in question are not some new-fangled kind of bond washing that has suddenly swept the City, but a simple and seemingly innocuous domestic pastime: the copying of records, radio broadcasts or television programmes on to tapes, without payment of any kind to the programme makers whose intellectual property is thus abstracted.

Widespread

As the publicity campaign launched last week by British Phonographic Industry and the Muscicians' Union makes plain, the real objection to unauthorised copying of records and broadcasts is not that it is technically illegal, but that it is "killing music." The claims about music being killed off by the home-tapers may be somewhat premature and exaggerated, but the figures on sales of records and blank tapes in Britain and many other countries do strongly reinforce what is in any case suggested by commonsense: that, as home recording technology has become more refined and more widespread, it has begun to threaten the livelihood of performing artists and the prosperity of the record industry.

Whether or not one accepts the BPI's estimate that the British record industry last year lost £200m—about one-third of its total potential revenues—as a result of taping, even the rough orders of magnitude imply that this is no longer an issue which can simply be disregarded. When home tape-recorders first became widespread some 25 years ago, governments in most countries were right to decide that it was better to turn a blind eye to the technical illegality of home-taping rather than establish new taxes or bureaucratic controls to correct the theoretical injustice suffered by performers and record companies whose products were being exploited.

From a British government, such indifference is particularly inexcusable. For Britain has arguably benefited more than almost any other country from the growth of the record industry. British recording artists and record companies have enjoyed considerable international success.

It is, therefore reasonable for British musicians and recording companies to call on the British Government to lead the way to establishing a system of levies on recording equipment and tape which would redistribute revenues back to the recording industry and the performers. The fact that other governments (for example in Germany) have so far only attempted such redistribution on a very limited scale or that in the U.S. the whole issue has been the subject of lengthy litigation should not be an excuse for inaction.

In principle, the case for a levy of some kind is convincing, as the Government appeared to concede in July's Green Paper. As time goes on, and with the spread of video recording equipment in addition to audio recording, the case will become irresistible.

Proceeds

When it comes to deciding on the scope, administration and distribution of the levy much greater difficulties arise, although many of the objections which the Government put forward in the Green Paper are spurious: for example, the argument that a levy would run against the Government's counter-inflation policy, or that some of the money from a levy would be channelled abroad because 65 per cent of British record sales were by foreign-owned companies. The administrative problems are unlikely to be as onerous as the Green Paper suggests;

The greatest difficulty in principle, would arise in devising a fair system of apportioning the levy proceeds between the owners of copyright. The obvious solution of distributing proceeds in direct proportion to record sales could be less than satisfactory, since it would probably penalise some kinds of music which are frequently copied and give undue preference to other, more ephemeral, records. It would certainly provide no solution for the problem of off-air recording. However, such details could certainly be resolved, once it becomes plain that the government is taking the problems of the music industry seriously.

Caribbean initiatives

SOME OF the richer countries of the Western Hemisphere announced in the middle of this year that they were concerned about the political and economic circumstances of the countries of the Caribbean basin and were going to act jointly to assist them. After many fanfares, however, there is no sign of anything tangible happening. If nothing emerges quickly, the expectations which were raised in Central America and the Caribbean will start to wilt. The donor countries will come in for increased criticism from countries which they were originally attempting to bind closer to them.

Examined

The origins of what has come to be known as the Caribbean Basin Initiative are to be found in the Washington of President Carter when the U.S. administration first became conscious that the region could become a troublesome and potentially disastrous area. When Mr Reagan moved into the White House there was talk of a "mini Marshall Plan;" that phrase was subsequently rejected when it became clear that the new U.S. leader was unwilling to spend any great amount of public funds on aid. He preferred new incentives for private enterprise, local and foreign.

Nevertheless, the idea took on greater weight when Mr Reagan and President López Portillo of Mexico discussed it at their June meeting at Camp David. Details were further examined when Mr Alexander Haig, the U.S. Secretary of State met his colleagues from Canada, Mexico and Venezuela in July in Nassau.

By this time the potential recipients in Spanish speaking Central America and English speaking Caribbean countries were looking forward to the sort of economic boost which would relieve some of their most pressing financial and trading problems.

Each group of countries met to co-ordinate attitudes to the initiative, a process which in itself gave a welcome boost to their flagging sense of unity, and for the past few months have been hoping for action.

That action is needed to improve the economic climate in the Caribbean basin has been forcefully illustrated by a number of events of the past few weeks. Two former British colonies, Belize and Antigua, have been launched into independence; their political will to survive and prosper will be severely tested by their lack of financial resources. The continuing exodus from Haiti by refugees in open boats has underlined the hopeless lot of millions of people who live under the rule of President Duvalier.

The economic troubles of the area are contributing to political instability. A sense of hopelessness about the future has already enhanced the appeal of Marxist-Leninist recipes for society for many in Central America. In the small islands of the Caribbean the danger is often that organised crime will take over the functions of government. A poor Caribbean basin is a political unstable Caribbean basin.

Expertise

In such a situation it is imperative that the countries which are committed to the initiative should seek to solve their differences and start to satisfy some of the hopes they raised.

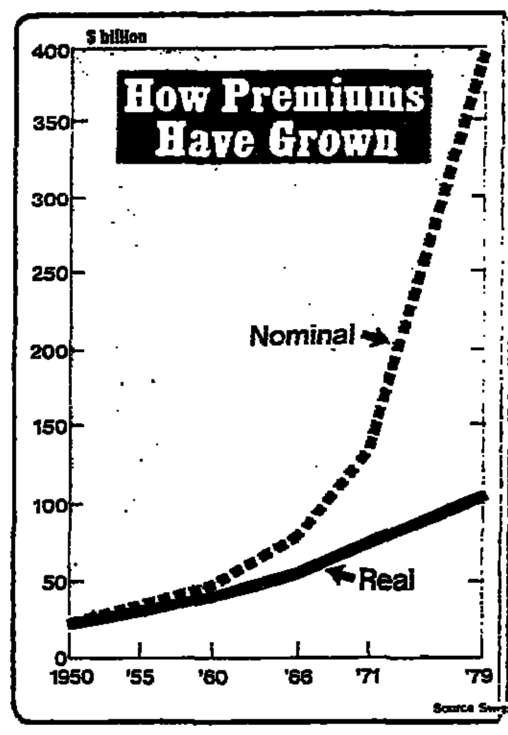
The unwillingness of the U.S. Government to provide cash should not, for instance, prevent it giving special trade privileges to the countries of the region or giving technical assistance in the form of trade experts and advisers. The oil expertise of Venezuela and Mexico could be put to work to seek new sources of energy in a region which suffers from the lack of them. Canada which has had centuries of experience of the Caribbean could provide a whole range of aid.

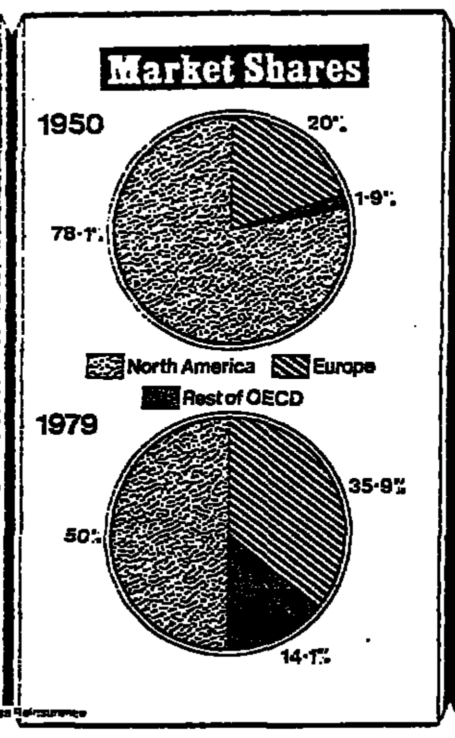
Given the differing political stances of the four donor governments it is clearly illusory to expect a uniform set of policies to be carried out by them jointly. What is to be expected is a set of different and mutually complementary measures—in trade, development finance, and public and private investment — put together by the four with each donor applying its own particular contribution to those recipient governments with which it feels the closest relationship. The aim of the initiative must not be bureaucratic uniformity but effectiveness.

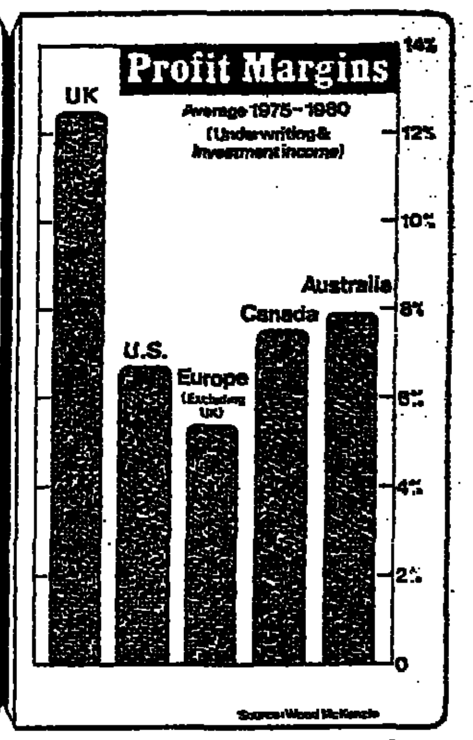
INSURANCE INDUSTRY

A worldwide merger wave

By Richard Lambert, Financial Editor







Marion Sadger

THE WORLD'S insurance industry is going through a period of profound change. During the last few years, a growing volume of international takeover activity has changed the shape of many of the world's leading companies. And in recent months, there has been every sign that the pace is hotting up.

There are half a dozen different explanations for all this activity. But most of them boil down to the fact that times are tough in most of the world's insurance markets, which is making the grass look greener across other countries' borders.

Among this year's examples, Allianz of West Germany and Winterthur of Switzerland have made major investments in the UK insurance market, while Legal and General of the UK and AGO of Holland have made bids for U.S. companies. Nationale-Nederlanden of Holland has bid for control of a large Australian company while Royal and Guardian Royal Exchange of the UK have raised substantial new funds for expansion in North America.

Coming the other way across the Atlantic, Alexander and Alexander has followed Marsh and McLennan in bidding for one of the major Lloyd's broking firms.

International competition is making major inroads into most of the world's insurance markets. Between 1974 and 1979, the share of non-life premium income written in the UK by foreign-controlled insurers rose from 12.8 to 22.1 per cent, according to a recent estimate by the Policy Holder Insurance Journal.

Foreigners are reckoned to control about 15 per cent of the West German non-life market and about 20 per cent of the Dutch. In Canada and Australia, the proportion has been put at over 40 per cent, and desperate bids by foreign insurers to gain a foothold in the business have brought chaotic conditions to both markets.

In Australia, for instance, roughly 200 companies are currently awash in a sea of red ink.

Until quite recently, most insurance companies concentrated on their domestic markets. The major exceptions were to be found in the UK, where even at the turn of the century overseas business represented three-fifths or more of the major insurers' total activity. The value of this international spread was underlined in a dramatic way by the San Francisco earthquake of 1906. This wiped out the U.S. industry's entire fire underwriting profits of the previous 35 years—but the British companies were able to meet their claims in full.

But the UK companies are no longer unique. Allianz, the leading German group, lost all its foreign business and most of its assets after the second war. So it had some catching up to do—and since 1975 the proportion of its worldwide premium income attributable to foreign business has risen from 3.5 to 12 per cent. It would like to get nearer to 25 per cent in due course.

The international business of Nationale-Nederlanden, the largest Dutch group, now amounts to nearly half its total premium income. Most of the other big companies in Holland, such as Ennia and Amek, have followed a similar course.

Even the U.S. companies, which with two or three exceptions have concentrated their resources almost entirely on the home market in the past, are showing signs of a more international outlook. Their takeover activity has so far been largely confined to the broking sector, but there also seems to be an awakening interest in worldwide expansion among the insurers themselves.

All this activity is the outward sign of a signficant slowing down in the world insurance market.

Figures produced by the Swiss Reinsurance Company indicate that worldwide premium volume in direct insurance rose 19-fold to $392bn between 1950 and 1979. In real terms, this represented an average annual growth of 5.8 per cent, and for much of the period premiums were rising faster than the world economy as a whole.

But things started to change around 1974. In a number of major markets, premiums have registered less growth than gross national product. This trend is particularly marked in Australia, Italy, West Germany, France and Belgium.

Faced with slower growth on the one hand and higher inflation on the other, companies have attempted to increase their market share in order to cover expenses. This has contributed to serious price competition in many lines of business.

According to the Munich Re, for instance, the average premium rate for industrial fire business in West Germany fell by over two-fifths in money terms between 1973 and 1979. Although the size of risks increased enormously over the period, the industry's premium income from this source remained unchanged at about DM 2bn.

In most European countries, the insurance industry is concentrated in comparatively few hands, and the major companies tend to have a big share of their local market. Allianz, Winterthur, and Nationale-Nederlanden have all made strikingly similar comments about the limited future growth available to a company which already controls up to a fifth of its own highly competitive market.

The big companies have other reasons for wanting to broaden their base. Allianz has said that it wants to spread its risks both in a technical and entrepreneurial sense. Individual insurance risks are getting bigger, and the cycle of underwriting profitability has become much more volatile than in the past. At the same time, the group's German industrial clients are expanding internationally—and Allianz wants to go with them.

However, the number of countries into which companies can diversify is limited. Economic nationalism is one consideration. According to a recent estimate by the Royal, British insurers have in the past 30 years been forced—or otherwise found it necessary—to withdraw from 18 African, eight Asian and two Latin American territories.

Japan is one of the fastest growing insurance markets in the world, which largely accounts for the fact that the proportion of the world's premiums written outside the U.S. and Europe has risen from 2 to 14 per cent since 1950. Although it is very profitable, it appears to be virtually closed to foreign companies. The agents which sell the business are closely connected with the Japanese insurers, and the market share of overseas insurers is estimated by stockbrokers Wood Mackenzie at just 3 per cent.

> For most European companies, the U.S. is the first choice for diversification. . . . However, U.S.-based companies have sound reasons for wanting to expand overseas. Insurance has been growing more slowly in the U.S. than elsewhere in the world

For most European companies, the U.S. is the first choice for international diversification. It is much the biggest single market in the world: North America as a whole accounts for 50 per cent of premium volume in the OECD. And although it is tightly regulated, it is also very fragmented.

So it is possible to acquire companies that would be big by European standards but which only have a tiny share of the available U.S. business.

Figures produced recently by the Department of Commerce show that in 1979 and 1980 foreign companies spent some $3bn in acquiring or establishing U.S. insurance businesses. European groups figured largely among the bidders.

However, U.S. based companies also have sound reasons for wanting to expand overseas. For one thing, the insurance industry has been growing at a slower rate in the U.S. than elsewhere in the world. Back in 1950, North America accounted for nearly 80 per cent of OECD premium volume.

The U.S. is also the most mature insurance market in the world. Premium income in North America represented over 7 per cent of GNP in 1979, compared with 4.1 per cent in Western Europe and just 1.5 per cent outside the OECD countries.

The insurance companies would like to emulate the U.S. banks in catering for their multinational customers around the globe. They are also having to cope with serious competitive pressures in their own back yard. Underwriting losses on property and casualty business currently represent a higher proportion of premium income than at any time since the war.

Foreign companies are able to select their preferred lines of business when they move into the U.S., and are prepared to take a long-term view. The perspective is different for a company which has inherited this one basket containing all its eggs.

Despite its poor economic performance, the UK is also seen as an attractive area for expansion by international insurers. Allianz set the dovecotes fluttering earlier this year when it bought a significant stake in Eagle Star, one of the major composite insurers, against the company's will.

This made even the biggest companies feel insecure—to the benefit of their shareholders, since dividend payments have in several cases been boosted sharply since the Allianz raid.

By international standards, the UK is a very profitable place to be an insurer. Companies such as Guardian Royal Exchange and Commercial Union confirm that their overall return on capital in the home market compares well with anywhere in the world, with a few possible exceptions in the Far East.

The non-life sector is concentrated in the hands of around 10 major companies, which write over half the available business, and competition tends to be less cut-throat than in many other countries. The business is also less tightly regulated than in the U.S. and most of Continental Europe, with the authorities' prime concern being solvency rather than premium rates.

In addition, it is much easier to buy a big stake in a UK insurer through the stock market than would be the case, for example, in Germany. Although a number of major insurers are owned by their policy holders (mutual societies) and thus immune from hostile takeover, there is also a large actively traded quoted sector. The investment returns look quite attractive, too. The dividend yield on the composite sector is around 8½ per cent, which is way above the average figure on the Continent.

The UK companies bring with them a wide spread of international business, as well as a base in the City of London which remains a major centre for the world's insurance community.

For all these reasons, such companies as the Commercial Union have been concerned for some considerable time about the possibility of a takeover attempt from abroad.

Perhaps the main defence for the UK companies is their sheer size. Phoenix Assurance, the smallest of the main composite companies, is valued on the stock market at over £150m, while the Royal is capitalised at over £650m. Only a very few insurance companies in the world can set their sights on that kind of target.

All the same, it is not advisable to call up senior executives of UK companies first thing in the morning in a foreign accent. Although the dust has now settled a little in the aftermath of the Eagle Star raid, the chances are that they still won't think it is funny.

Men & Matters

Once more unto the beach

While nobody actually wrote "gloves will be worn" on the invitations to this year's CBI conference the instruction may be taken as read. A few backwoodsmen may still be hacking away in the hinterlands of the south coast; the sunset sky may show just the slightest trace of —could it be?—Limehouse pink. But the first day's motions enjoyed an agreeably untroubled passage, even if they might have seemed to lose in directness what they gained in votes.

Indeed, one might almost have thought that BL and the West Midlands were 200 miles away, were it not that the seafront around the conference centre looks like the car park for a meeting of a Rover and Jaguar appreciation society. And were it not also for the presence of a Mini Metro in conference centre, prominently displayed as the prize in a charity raffle.

Could things have sunk so low as to force BL into such straits? In fact, no. The raffle will benefit the disabled, and a brisk business is being done in £5.00 Metro tickets. The rarity value goes up with every minute that passes, explained CBI president Sir Raymond Pennock.

And so, down to business on the trendy blue stage. Voting would be by show of hands — no rubbish about secret ballots here. And a special word for the disco-style light show, thoughtfully built into the rostrum to discipline wordy speakers. A green light while you arrange your papers on the stand; an amber light while you clear your throat, and a red light to pull you up just as you get to the point that you want to make.

Some speed merchants, needless to say, drive recklessly through the red lights, and inevitably collisions do occur between those of the left- and right-hand sides of the road.

"They were so busy chatting to each other on their CB radios, they didn't see each other!"

While the morning meeting as a whole seemed determined to get through the topics of pay policy and unemployment with scarcely a mention of capital or even corporal punishment, Sir Peter Shepherd, a builder, was heard to say that less than half the unemployed were actually seeking jobs. Christopher Bailey, one-time champion of private ship repairers, called those present "completely nutty . . . a lot of dumb-dumbs" for approving a resolution demanding a national plan for school-leavers' employment and an earlier male retirement age. "Pomposity and pontification" fumed Bailey, "most of you are already asleep."

Anybody who was asleep must have been rudely awakened when Bailey then took off his coat to reveal a magnificent mosaic of a shirt with neither sleeve alike in pattern or hue. Sartorially, it was the star of the show.

You will find elsewhere in this newspaper, an admirably clear summary of what was said. But in brief; education a good thing; unemployment—could do better; unions—need a firm but kindly hand.

The EEC proved a rousing success. The debate on withdrawal was nothing short of a Brussels love-in with only one wallflower. The waves crashed on the beach; the delegates withdrew into closed session; the evening drew in with scents of the Midland Bank buffet supper on its breath. And that was yesterday in the suntrap of the South.

On course

The Government is apparently able to keep some of its own costs at least under control. Ministers attending the traditional eve-of-session dinner in Downing Street tonight will have to pay £23.50 a head compared with £22 last year—an increase of a mere 6¼ per cent.

For this they will get three courses, including avocado and some form of chicken, a choice of red or white wine, and coffee. No-one is saying whether this miracle of economy has been achieved by selecting older chickens or younger wines.

Forget IT

A razzmatazz launching yesterday for Britain's "Information Technology Year" at the City headquarters of the Institute of Marine Engineers. Brave choice of slipway, too, considering the state of the shipbuilding industry.

But Government Ministers Kenneth Baker and Barney Hayhoe might have got a clearer message across to the assembled reporters if they had not kept them waiting for 35 minutes.

Looking idly around while they waited, reporters noticed that . . . the event was being covered by television cameras made by Hitachi, pictures were being projected on big screens made by Mitsubishi, and the sound was being amplified by Bose loudspeakers imported from the U.S.

A sort of hunt-the-British-thimble game ensued among the auditorium's elegant (Italian) seats, with the prize going to another shrewd observer who spotted the only readily identifiable domestic products—a couple of bottles of Malvern Water.

The 2½-hour event, including a videotape of Margaret Thatcher extolling the wonders of IT, was transmitted to audiences in seven other cities linked by Confravision, British Telecom's television conference system. But in spite of a £600,000 subsidy from the Department of Industry (plus some private funds) for the year's boost-British activity, the system was deemed too expensive to provide two-way pictures. So no-one in London could see what was happening in the provinces.

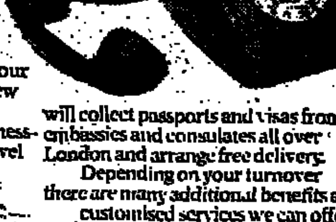
A computerised opinion poll revealed that most journalists paid to write about IT knew what the initials mean. Most of the general public, it seemed, were bewildered.

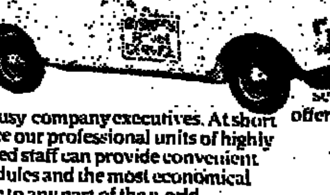
Could IT have something to do with sex? That impression might be reinforced by yesterday's attendant girls in IT-shirts, and a prancing organiser trying to find a team to tour the country performing an IT dance.

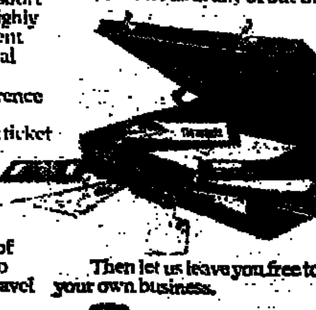
England's test

Glyn England, chairman of the Central Electricity Generating Board, found a new argument yesterday for continued imports of coal from Australia. The CEGB had great problems in getting rid of its power station waste, he told the Coal Industry Society. No problem with Australian coal, however. "The Australians come over every few years to collect the Ashes."

Observer







FINANCIAL TIMES SURVEY
Tuesday November 3 1981

CONTENTS

NIGERIA

PART TWO: PART ONE APPEARED YESTERDAY

Nigeria is the biggest market in black Africa for goods from the Western world and a major supplier of oil to the U.S. and Europe. But its oil wealth is proving a two-edged weapon because traditional exports have been virtually eliminated. Paul Cheeseright discusses the dilemma.

PROBLEMS ARE crowding in on Nigeria's civilian Government. The hopes which its presence has aroused and the promises which its development plan held in store may be foiled because it cannot break out of the pattern of external trade relations inherited from the past.

President Shehu Shagari faces the dilemma that Nigeria is no more self-reliant than when it became independent 21 years ago. The range of the products which it can sell abroad has narrowed to one: oil. It is the dilemma of distortion, and the only change has been the nature of the distortion.

Manipulated by colonial masters, Nigeria before independence was "a mere exporter of raw materials and importer of manufactures" in the official view. It was simply meant to be "a ready source of supply of raw materials for feeding British industry as well as an outlet for the surplus British industrial products."*

In the years immediately after the Second World War, agricultural products provided 78.5 per cent of Nigeria's export earnings while more than 60 per cent of its imports came from the UK. By 1980, oil accounted for 96.1 per cent of export earnings while the UK provided 22 per cent of non-oil imports.

Behind these figures are the fundamental shifts in Nigeria's trading. Its range of import customers has widened, largely to embrace more West European countries, but the spread of its earnings has narrowed. It remains a mere exporter of raw materials and importer of manufactures.

Oil has permitted Nigeria to draw up an elaborate and far-reaching development programme, but has no more provided the certainty of paying for it than reliance on the sale of agricultural products would have done.

This distorted pattern of trading has increased Nigeria's vulnerability. The wealth associated with oil has increased what Nigerian economists have called the country's "ultra import-biased taste." In practical terms, Nigeria is seeking to buy a ready-made industrial sector and a modern farm sector through the import of modern technology and capital goods.

But the changes in oil prices have meant that the flow of imports to satisfy this taste has inevitably become erratic. The ability to buy at one time stokes up expectations which are dashed later. The virtual elimination of traditional exports from the national trading pattern has left Nigeria with nothing to fall back on, with little resitance to the cyclical changes in the international economy.

Further, the development of Nigeria's economy outside the oil sector has been locked into the ability to pay for imports. "The excessive dependence of the manufacturing sector on foreign inputs continued, with expenditure on imported raw materials constituting about 74.3 per cent of total raw materials cost in 1980, as against 75.6 per cent in 1979," the Central bank complained in its latest report.

The vulnerability was evident in 1978-79 when the military government, having ignored all the international signals and operated its finances on the basis of budgets rather than figures, suddenly cut back imports. It has become increasingly apparent this year as President Shagari's civilian government has prepared to back up an internal programme of greater economic frugality with import cuts, effectively turning its back on the increased liberalism evident in its 1980 tariff and licensing policy.

Of course the aim of government policy is to reduce the vulnerability and flatten the distortion by industrial and agricultural development. Its trading policy, or more precisely its imports policy, is a reflection of this.

It all looks carefully controlled: where local industry is developing, protect it from the imported finished product and make the purchase of imported raw materials easy. But the consistency of the policy is put at risk by two factors.

The first is the wide degree of smuggling. This is not only hurting the fledgling industrial base, which in any case is not working at full capacity, but it is also depriving the Government of control over foreign exchange spending.

The Government might know the amount of expenditure it is permitting through its Form M control scheme, but it does not know what the nation is actually spending. Imports in 1980 came to 9.6bn naira (nearly £8bn) on official estimates, but the true figure must have been higher.

The second is that, because the Government has only limited control over the size of its export revenue, it has to respond to its rise and fall with changes in import policy—freedom when the revenue are high, restrictions when it is low. By the third quarter of this year, the Government was changing gear downwards, starting with a slowdown in the rate at which foreign remittances were allowed.

Bu the nature of the slowdown was itself posing problems. With an election two years away the Government, having aroused expectations through the publication of the development plan, could not apply the slowdown evenly. Politically it was necessary to push ahead with projects of high visibility—rural electrification and water supplies, for example. At the same time, it was using import licences as a form of political patronage.

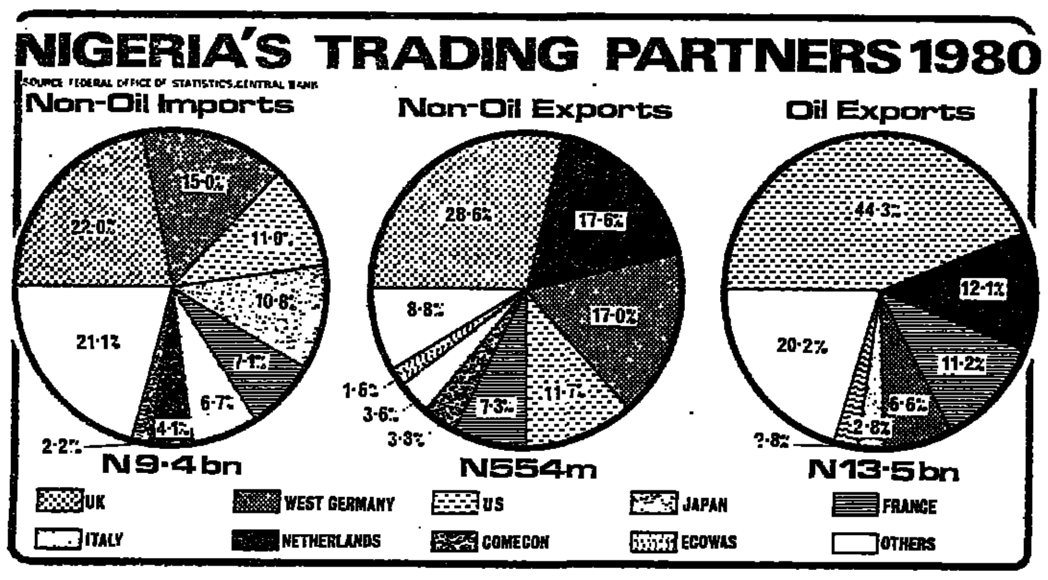
Until the Government has successfully supervised a diversification of the Nigerian export economy, these erratic shifts will continue. The Government is committed to the growth of manufactured exports and sees the 16-nation Economic Community of West African States (Ecowas) as providing the most readily accessible market.

But there are two difficulties. The first is that so far, the Ecowas members have agreed only limited tariff reductions and have failed to come to terms with deep-rooted technical problems like the convertibility of currencies. The second is that Nigerian non-oil exports have declined. Last year their value fell by 17.3 per cent to N554m, leaving the country with a deficit on its non-oil trade of N8.8bn.

There is already a substantial British presence in the country and now that the fears aroused by the nationalisation two years ago of British Petroleum have quietened, renewed efforts are being made to consolidate and enlarge the UK share of the imports market.

But the West German, U.S., Japanese, French and Italian shares of the market have increased at the expense of the old British colonial dominance. The attraction of Nigeria is common to all. The combination of 85m people, oil revenues, however fluctuating, and a huge commitment to development gives overwhelming commercial allure.

* *Economic and Statistical Review, 1978, Federal Government Press, Lagos.*



Changing direction of trade

NIGERIA'S TRADING relations are overwhelmingly directed towards the industrialised world, but India is playing an increasing role in the economy, exemplifying the gathering trend towards what is called economic and technical co-operation between developing countries.

So far, 13 Indian-Nigerian joint venture companies have been established in sectors as varied as light engineering, roofing and pharmaceuticals. Hindustan Machine Tools is co-operating with the development of Nigeria Machine Tools, the first venture of its type in the country.

There are 15,000 Indian expatriates in Nigeria, working not only in the joint venture companies but in academic institutions and state bodies like the National Electric Power Authority.

Indian companies have been providing consultancy or management services at the Ajaokuta steel works, the cement plant at Port Harcourt, the paper mill at Iwopin and on the national railway system. At present management contract at the National Electric Power Authority and the Telecommunications Authority of India is bidding for similar work in telecommunications.

The Indian presence in key sectors springs from their traditional ability to make the complex work cheaply and from the use of a common language.

But Indian companies find it dificult to win major project contract work—although they are bidding for the Ajaokuta-Port Harcourt standard guage railway line. Their price competitiveness depends partly on the ability to bring in their own labour force, which is not possible in Nigeria. And they lack extensive export credit facilities.

Rewards are great, but so are the handicaps

CONDITIONS ON the Nigerian market for direct exporters are becoming more difficult. The continuing problems in achieving smooth ordering and payments overlie fundamental changes taking place in the economy that themselves pose obstacles to easy selling.

Yet the size of the market and the scale of official ambitions to harness neglected resources both mean that Nigeria will remain a prime export target.

Short-term problems relate to the way in which the Nigerian authorities respond to the downturn in oil revenues and the manner in which they apply protection to fledgling local industry.

"It is clear," said the Fourth National Development Plan, "that no economy can develop on the basis of perpetual dependence on foreign sources for supply of her basic needs . . . A country that is seriously engaged in efforts to develop her economy cannot afford to dissipate its limited foreign exchange resources."

Nigeria has sought to come to terms with this at one level by import licensing and inspection allied to a system of foreign exchange approvals for remittances overseas.

All importers must submit to

Federal Government agencies and corporations, together with State governments, are increasingly procuring supplies on their own account rather than using the Crown Agents as a means of purchasing. The Nigeria National Supply Company has become more heavily engaged especially in the buying of foodstuffs.

But suppliers have noted that the scale of purchases in areas like pharmaceuticals has dropped. Payments have become more erratic as financial conditions have tightened in recent months.

By law the official agencies have to give preference to goods made in Nigeria. With elections coming in 1983, the award of orders appears to have become linked with contributions to ruling party funds, making it necessary, as it has been delicately put, for potential suppliers "to ratify their tenders."

the Central Bank six copies of what is called Form M through a commercial bank. Only when the Central Bank has approved the Form M can an importer open up letters of credit or start to put in place the arrangements for payment in foreign currency. Where import contracts worth more than N100,000 are involved, registration at the Ministry of Commerce is necessary.

Form M clearance at the Central Bank has always been time-consuming, but by September it appeared to Lagos businessmen that the clearance procedures were being intentionally delayed. One noted that in September he had only received clearance for the remittance of £400,000 instead of the £2m he was in the habit of seeking each month.

Part of the delay is attributed to the wholesale staffing changes which took place last July in the foreign exchange department at the Central Bank. Such changes are made from time to time as an anti-corruption device.

But the Government has in the past used delays on Form M clearance as a means of slowing the spending of foreign exchange. Indeed, the delays becoming apparent by September had been freely predicted.

Commercial bankers report that a process which once had taken up to 10 days was being stretched out to between six and eight weeks.

The effect of the slowdown, which is affecting up to 5,000 Form M applications a day, is to increase the propensity for corruption in the clearance process. Some businessmen have become accustomed to the use of minor subterfuge as an aid to keeping their applications at the top of the piles which accumulate at the Central Bank.

With the delays, money is changing hands to ensure that applications are considered more quickly than they might otherwise be. The cost of pushing an application to the top of a pile is now said to be between N50 and N500 depending on the sum involved.

The complications inherent in this sort of system are compounded by the import licensing and inspection procedure. Where import licences are necessary they have to accompany the approved Form M when application is made to one of the authorised dealers for the remittance of foreign exchange.

Under the terms of the 1981 Finance Act, some imports are prohibited and others can only be bought with an appropriate licence. Prohibitions include a variety of foodstuffs, some textile products and footwear.

Licences are needed for goods like spirits, paints, motorcycles, cosmetics, sewing machines and even empty beer bottles. But industrial raw materials and spare parts are generally free of licensing.

But the licences themselves are becoming traded commodities. Importers with established businesses are complaining that licences are being granted as a form of political patronage to those with no trading experience or trading interests. In some cases these licences are being sold on to established importers, often at a 20 per cent premium and for sensitive products like rice at double their face value.

In any event, nearly all import consignments worth more than N10,000 are subject to inspection before they are shipped by the exporter. Under certain conditions, industrial raw materials are exempt with the agreement of the Ministry of Industries.

Inspection is undertaken by Societe Generale de Surveillance, which expects to receive at least 14 days notice of shipment. The object is to prevent abuses like over-invoicing. Only when SGS is satisfied on price and quality relative to the nature of the order will it give a Clean Report of Findings to allow the sale to be made for foreign currency.

A combination of all these factors—remittance problems, licence difficulties, inspection procedures—allied to the uncertainties about future import policy has helped turn major traditional importing houses like UAC, Patterson Zochonis, John Holt, and J. L. Morison, Son and Jones more and more towards local manufacture.

It is at this point that the longer term problems for direct exporters, especially those on a small scale, become evident.

The policy of local manufacturing is directly encouraged by the Nigerian Government and the further it extends the more inclined the major trading houses will be to buy materials and goods locally.

John Holt, later than some in switching emphasis to local manufacture, had found itself vulnerable to import restrictions. Now the bulk of its turnover comes from locally purchased goods, and it is concentrating imports on bulk commodities.

J. L. Morrison, Son and Jones, the Guinness associate, is doing the same—"changing the foundation of our company," said Mr A. K. Onwude, the chairman, "from one relying very heavily on imports to one soundly based on local manufacturing."

It is part of a trend which at first sight diminishes the scope for direct sellers into the market. In the past, if a direct seller could engage one of the big trading houses as an agent, he had direct access to a wide distribution network.

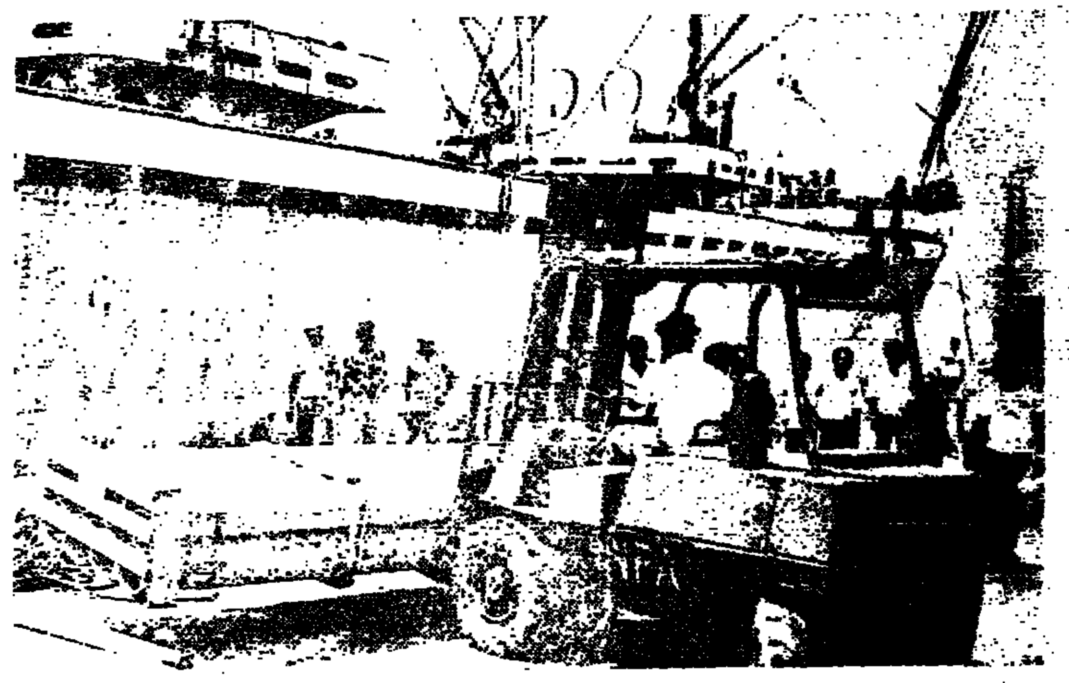
Now the major trading houses are very discriminating in the business they take on and would probably be little inclined to take on business with a turnover of less than £250,000 a year, especially when the work would involve the marketing, as opposed to the selling, of a product with competition already in the market.

Where large sales can be made on the local market, the tendency is to encourage manufacture in Nigeria, an option which is generally unattractive for small companies because of cost.

Sellers in to the market are therefore being thrust more and more towards developing Nigerian distribution companies whose performance is varied. Significantly, the Export Credits Guarantee Department in London has had its greatest difficulties in the Nigerian market with small importers.

Leaving aside questions about the financial probity of some Nigerian importers, the difficulty is that many of them have only local networks and cannot offer full facilities for the penetration of the national market.

Paul Cheeseright



Water distribution is expected to remain a top priority. Here pipes are unloaded at Calabar

Tough line by import scrutineer

THE Societe Generale de Surveillance (SGS) is an integral part of the Nigerian Government's system of import controls. The licensing system decides what the country should buy abroad, the Form M system at the Central Bank has given the Government for the first time some measure of what Nigeria spends in foreign currency and SGS acts to check that the country buys what it intends at reasonable prices.

That, at least, is the theory, but there is no means of establishing exactly how successful is the triple-pronged approach. SGS itself is a reticent Swiss group, acting for Nigeria as it acts for Zaire and some East African countries.

But its main value for Nigeria is that it is a deterrent to those seeking to make over-priced sales into the Nigerian market or to make fraudulent sales. Lagos businessmen claim it has had some success.

"Before the days of SGS I knew an Asian importer who brought in 5,000 cases of machine parts. He got the foreign exchange out. But when the cases arrived they contained nothing but sand. With SGS, this sort of thing has stopped," one relates.

It is the deterrent effect of SGS which attracts the Nigerian Government. The latest Central Bank report noted that SGS estimated its savings on the import bill through deterrents would be at least five times the visible savings.

Visible foreign exchange savings in 1980, the second year of SGS's Nigerian operation, were N176.2m, or 163.5 per cent more than in 1979. This saving constituted 3.5 per cent of the f.o.b. value of the goods inspected by SGS.

So the Central Bank estimated the cumulative savings on foreign exchange in 1979 and 1980 through the deterrent effect at N1.2bn. This is the rough equivalent of one month's import bill. But against this has to be set the charges of SGS, calculated as a percentage of the value of the goods it inspects. These came to N36m in 1980 and N16.6m in 1979.

When the SGS inspection procedures, before shipment, were introduced in 1979, they caused confusion among importers and those selling to Nigeria, but the system has now bedded down and the sharp edge of SGS's unpopularity has been blunted. SGS is just something else the trading community lives with.

Although SGS prides itself on rapid and prompt inspection of goods once it knows they are ready to be scrutinised, importers complain that SGS disrupts stock flow. "They say they will inspect cargo within a week—but it might be five these days. It could be a direct instruction from the Government. But there's no pattern to the delays."

Because SGS draws a veil over its activities, it is difficult to assess either its accounting or its technical expertise. But the general impression is that it cuts out the worst abuses of Nigeria's insatiable desire for imports and can check that basic materials are not over-priced.

Its scrutiny of prices and quality may be less effective, it is thought, where the imported product has a high technological content and where there is a high amount of added value.

Paul Cheeseright

NIGERIA'S IMPORTS

	Total (N million)			UK Exports (£ million)		
	1978	1979†	1980*	1978	1979	1980
Food and live animals	1020.7	766.5	1091.0	58.7	35.4	64.6
Beverages and tobacco	70.7	49.8	67.3	12.1	5.7	5.1
Crude materials	108.4	112.1	135.2	8.3	13.5	14.5
Mineral fuels	174.6	206.8	241.5	13.5	6.8	13.7
Animal and vegetable oils and fats	73.3	52.3	77.3	2.1	1.6	2.2
Chemicals	647.9	540.3	734.0	171.9	123.2	235.2
Manufactured goods	1850.3	1524.1	2076.5	224.0	131.0	233.5
Machinery and transport equipment	3587.5	3791.5	4548.6	500.4	248.9	510.5
Miscellaneous manufactures	664.5	414.8	666.4	135.5	66.2	126.8
Transactions unclassified elsewhere	13.8	14.3	20.3	6.7	5.7	8.1
TOTAL	8211.7	7472.5	9658.1	1133.3	638.2	1204.3

† Provisional * Estimated
Sources: Federal Office of Statistics, Lagos, and UK Overseas Trade Statistics

Weir's role in making water work

THE SCOTTISH Weir Group has established itself in Nigeria, working on a top priority area of the economy, water distribution.

Weir, based in Glasgow, is Scotland's largest engineering group and has become increasingly export-conscious, shipping abroad up to 80 per cent of sales last year. With a turnover of about £80m the company reckons to be one of the three largest pump manufacturers outside the U.S.

Weir approaches Nigeria in two ways. One is through a permanent presence in Nigeria to service equipment already there and scout out new business. The service base in a major factor in winning contracts. The other approach is to look for major export contracts from Weir's Glasgow base such as this August's announcement of a £1.6m contract for pumps and equipment to be used for the water supply scheme at Kaduna in Northern Nigeria.

The size of the contracts and the value of Weir's exports lead to a ready acceptance of efforts by the Nigerian authorities to scrutinise more closely the country's international trade. Weir managers have studied the monitoring demands of the GS inspection authority and see it as a system to weed out the less serious traders.

Weir has had a business contact with Nigeria through its Scottish predecessor, the Harland company, for 30 or 40 years and its pumps are in use in many parts of the country. But Weir has a special relationship with Kaduna where its trading company, UTC-Weir, is based.

Weir helped instal the city's earlier water supply and its presence in the city was probably a major plus in winning the £1.6m contract from the Kaduna State Water Board earlier this year.

The contract was awarded against heavy competition from France, India, West Germany and Japan.

Under the first phase of major improvements to the water supply system, Weir is supplying 16 pumps, with valves, pipework and extensive electrical equipment including pumping station controls and switchboards. The installation is to transfer water from the Kaduna River to a treatment plant and then to reservoirs around the city.

Ownership of the UTC-Weir company is split with 20 per cent of the shares held by the Swiss-based UTC trading company, 20 per cent by Weir and the remaining 60 per cent held by private investors in Nigeria.

UTC-Weir has been instrumental in spreading the company's influence in the north of the country and now Weir is hoping to improve export prospects further with new water projects in the south. The company is expected to report a turnover of about £900,000 this year.

Although there is a fall in capital expenditure prior to elections in Nigeria, the company expects water distribution to remain a top priority in future. This will cover both water and sewage systems as well as irrigation works.

Because of the strategic nature of water supplies, shares for equipment have been exempted from some of the import restrictions which have at times held up deliveries.

Weir contracts have included training provisions under which Nigerian Water Department engineers have been flown to Scotland for training on the installation and maintenance of equipment.

Mark Meredith

High risks result in stricter limits

NIGERIA'S free-wheeling business community, nurtured on a diet of imports, has attracted enterprises which do not observe the normal trading rules. As one supplier put it: "Everything about Nigeria is big. The opportunities are big, but so are the problems." These problems have meant stricter limits on the insurance available to those selling into the market.

Although no figures are available, over the past four years the Export Credits Guarantee Department (ECGD) has been paying more in claims than it has been receiving in premiums from its Nigerian insurance business. Nigeria is one of its riskiest markets. It covers about 60 per cent of direct UK exports of £1.2bn. The worldwide average is 32 per cent.

This mirrors the experience of exporters. In their urge to sell, they have not always been able to carry through the checks necessary to assure the probity of buyers and their ability to pay.

The situation has become sufficiently serious for the question to have been raised at governmental level. Nigerian delegations have been to London, concerned about the more restrictive attitude of the ECGD, and the department has sent officials to Lagos in turn.

Some of the difficulties are criminal. Export Times, the London-based monthly newspaper for exporters which is waging a campaign "to get both the UK and Nigerian Governments to take action against the swindlers," has identified and documented four different types of fraud.

First, there are forged cheques. Secondly, there have been spurious offers to act as sole distributor in the Nigerian market, giving fake references. Thirdly there have been cases where sudden requests have made for sample deliveries, about which nothing more is heard and for which no payment is made. Fourthly, and "possibly the most common form of fraud," says Export Times, is the forged letter of credit.

Because it has been relatively easy to make profits out of imports, a proliferation of small companies has spread underneath the large trading groups. When the Nigerian Government makes one of its periodic clamps on imports, these companies are the first to be shaken out.

The shakeout inevitably brings claims on the ECGD for payment defaults. There were large numbers of claims in 1979 and 1980, and the shift in Nigerian Government policy since the middle of this year means that more could be on the way.

Once claims have been met, it is difficult to recover funds from the Nigerian importer. In many cases they have simply faded away. The antidote is to establish the credit worthiness of importers.

But this is easier said than done. Nigerian importers are only too ready to provide balance-sheet information when it is requested, but this information may bear little resemblance to reality. Indeed, the same balance-sheet with different company names on the top is said to be circulating in the ECGD.

Exporters with general ECGD cover have wide latitude in their selection of customers, reflecting the administrative impossibility of checking out all importing companies. But because of the specific problems of the Nigerian market, the department is providing its guarantee on orders of less than £10,000 only if the orders are backed by letters of credit.

Much of the ECGD cover is on short-term credit business, and most of the claims have come from payment defaults or delays in the transfer of funds for orders under £10,000.

But transfer delays and defaults are not confined to the private sector. It has been a consistent problem with government agencies, both at federal and state level. Delay is more common than default, and is caused usually by mismanagement, inefficiency and mistakes in budgeting rather than any lack of funds. Usually the money will come through, but there is no pattern to it.

However, the fact that the federal government is the paymaster of the states makes the EGGD reluctant to offer guarantees on orders from states, without the knowledge that the states themselves have received guarantees on payments from the government.

In the past, on both public and private sector deals, exporters have been able to make claims for defaults six months after the due date for payment and for transfer delays four months after the due date. But the ECGD has extended the waiting period for 12 months in both cases.

This is one part of its defence mechanism for Nigeria. The other has been to raise the premiums slightly for exporters doing business on the market. The average cost for short-term cover has been 32p for every £100 insured.

These measures, attacking the Nigerian problem from both ends, have not met much enthusiasm from the trading community. The ECGD's dilemma is still how to reconcile increasing business with the need to balance the books.

Paul Cheeseright

SCOA NIGERIA LTD

11-13 Davies Street-Lagos

60 % national interest
32000 nigerian shareholders
3500 people employed

ACTIVITIES IN 10 SECTORS:

SCOA MOTORS: 20 branches

ASSEMBLY PLANT:
7,000 404 Pick-Up Peugeot produces in 1980

SCOATRAC:
Distribution and Service for heavy weight engines. 2nd Organisation in this field in Nigeria.

IARD:
Industrial Airconditionning and Refrigeration: from drawing board to complete building

EQUIP HOME:
Housing and collectivities equipment. Everything to live in a house and get a good way of life.

EQUIP PRO:
All for professionals.

TEXTILES:
Original drawings.

TANAREWA:
Capacity of Processing: 1,4 million skins per year.

GENERAL GOODS:
Consumer goods imported as well as locally made.

INDUSTRIAL DEVELOPMENT:
This division undertakes feasibility studies and supervises industrial projects of the Company.

Shippers find little cheer except in the long-term

THE SHUDDER in the Nigerian economy has made the shipping companies hiccup, adding intensity to the freight rates war which is endemic among British and continental lines. The boom days of the late 1970s have vanished into memory.

In most years there is a build-up in demand during the late summer for shipments to Nigeria by Christmas. But this year there was little evidence of the normal acceleration in activity.

"In the halcyon days, there was too much cargo — you could pick your cargoes to carry. You could turn up your nose at bulk cargoes like sugar, salt and rough chemicals. Now you take whatever you can get," said one executive.

European exporters, by contrast, are in the position to pick and choose. Not only can they obtain services from lines in the two conferences, the UK-West Africa Lines Joint Service (UKWAL) and the Continental West Africa Conference (COWAC), and those who operate outside, but they can also select between the conferences.

UKWAL's middle rate is roughly £70 a freight tonne, with variations around that mean according to special contracts, the nature of the goods covered and the length of relationship between the shipper and the line. But non-conference lines usually endeavour to keep their rates at around a 10 per cent discount to UKWAL.

The seven members of UKWAL are also members of the 22 strong COWAC and there is a sharp differential between the British and continental rates. A container costing £1,400-£1,500 to ship from the UK could cost only £800-£1,000 to ship from Rotterdam, thus opening up advantageous transhipment to Europe.

Ultimately, the choice is one of convenience, but the balance of advantage between choosing to ship within or outside the conference network involves more fundamental decisions. The issues revolve around the classic argument about shipping conferences.

The argument in favour of conferences is that they offer scheduled services which will be maintained even during recessionary times and that their very regularity is in itself worth a premium price. The argument against is that the formation of a cartel holds up prices, while independent operators can operate more flexibly and more cheaply. Sometimes, however, the flexible can become erratic.

UKWAL has three berths dedicated to its services at the Lagos port of Apapa and this enabled it to continue operations serenely during the early 1970s when there were occasionally up to 430 vessels swinging on their anchors in the roads waiting to find a berth.

But this has not stopped some erosion of UKWAL's position.

In the 1960s, the lines became fretful if they lost 5 or 6 per cent of the trade. Now around 30 per cent of the 1.5m tonnes of freight shipped from the UK to Nigeria each year is carried by non-conference lines like BACO run by Thyssen of West Germany, Medafrica, the Italian company, and OT Africa, the Danish line.

The shape of UKWAL is in any case changing, in reflection of what Nigeria's Fourth National Plan called the "increasing need for Nigeria to participate more in carrying national freight and imports." The Nigerian National Shipping Line is being provided with N60m (£49.5m) between now and 1985 for further expansion. During the Third Plan, the line acquired 19 vessels in a major buying programme.

Ultimately, the Nigerian line will take 40 per cent of the UKWAL trade, compared with 33 per cent this year. But the British lines do not think this need mean any diminution of their role. On the assumption that the economy will resume growth and absorb a high level of imports, other members of UKWAL should be able to increase the tonnage they ship even though their proportionate share drops.

Looking into the long term, Nigerian economic development should mean an increased flow of goods out of Nigeria. This should help to stabilise rates which at present are calculated on the basis that on a 42-day round trip, a vessel has to travel back nearly empty.

Paul Cheeseright

CONTINENTAL WEST AFRICA CONFERENCE

LINE	BASE
Woermann	Hamburg
Nigerian National Shipping	Lagos
Black Star	Accra
Hoegh	Oslo
Elder Dempster	Liverpool
Societe Navale Chargeurs Delmas Vieljeux	Paris
Palm	London
Guinea Gulf	Liverpool
Compagnie de Navigation Denis Freres	Paris
Societe Navale de l'Ouest	Paris
Nedlloyd	Rotterdam
Societe Ivoirienne de Transports Maritimes	Abidjan
Scandinavian West Africa	Gothenburg
East Asiatic	Copenhagen
Polish Ocean	Gdynia
Estonian Shipping	Tallin
Veb Deutfracht/Seereederei	Rostock
CMB	Antwerp
Compagnie Beninoise de Navigation Maritime	Cotonou
Compagnie Maritime Zairoise	Kinshasa
Cameroun Shipping	Douala
Societe Togolaise de Navigation Maritime	Lomé

CONFERENCE SHIPPING SERVICES NORTH EUROPE - NIGERIA

MAIN PORTS FOR DESPATCH

UK:	Continent:	
London	Hamburg	Bremen
Liverpool	Bremerhaven	Amsterdam
Middlesbrough	Rotterdam	Antwerp
Grangemouth	Zeebrugge	

PORTS FOR DISCHARGE

Lagos (Tin Can Island, Apapa)	Port Harcourt
Calabar	Warri

UK/WEST AFRICA LINES JOINT SERVICE

Line	Base	Share of trade 1981 (%)
Elder Dempster	Liverpool	32.5
Palm	London	15
Guinea Gulf	Liverpool	4
Black Star	Accra	8
Nigerian National Shipping	Lagos	33
Hoegh	Oslo	6.5
Compagnie Maritime Zairoise	Kinshasa	1

Where patience proves a virtue

ADRIAN WHITE sweated out three months in an upcountry hotel before he secured the first big water treatment contract for his Biwater Shellabear group in Nigeria. Since then, the 39-year-old chairman of Biwater has personally nursed the Nigerian market along until it now accounts for 20 per cent of turnover for his fast-growing business.

He first went to Nigeria in 1975 with a trade mission and stayed on when he discovered that the then Benue-Plateau state government offered interesting prospects. The contract was agreed in June 1975, signed in November 1975 and he then settled down to wait for the 20 per cent down payment before the work could begin.

"One of the things Nigeria has taught me is patience," he said. "The contract will come along in its own good time, but it is not going to fit into anyone's time schedule." But even once that contract was secured it ran into trouble when in April 1976 the Benue-Plateau state was split into three and none of the new state governments wished to accept responsibility.

The bureaucratic confusion which resulted meant that work almost came to a halt and the 10-month contract overran by nearly 10 months. The delay was initially used against Biwater in later contracts but the company has since managed to work its way gradually back into the market, refusing to be put off by the initial difficulties.

It is now well enough established to have won an £82m contract last year with the Niger state government for the supply of 58 water towers and the construction of a dam and two conventional waterworks. The contract will supply 50 towns and villages with pipe-borne water —one of the Government's priorities in improving conditions in the rural areas.

Mr White believes that persistency helped to win the contract, but his group had the advantage of being able to supply the equipment and instal it.

Work in Nigeria has helped the company to expand rapidly from a turnover of over £12m in 1977 to £34m last year. At the same time, trading profits last year were £2.1m, up 42 per cent on the previous year.

Mark Webster

Craving for computers

MR DAVID BENSON, managing director of ICL's Nigerian subsidiary, owns a grey parrot which is known to pipe up with trenchant comments on the company's performance. While company shareholders may have had fair cause to agree with the bird in the past year, they can take some heart in the healthy progress of the Nigerian group.

ICL Nigeria, 60 per cent owned by ICL, doubled its turnover in the past two years to £5m and expects to show pre-tax margins of about 20 per cent this year. As the Nigerian computer industry is still in its infancy—total sales this year are estimated at about £20m—ICL's turnover should continue to climb athletically for the next three to five years at least.

The company has been in Nigeria under various names since 1948, but it was handed its first big break by IBM. In 1978, ICL's arch rival left Nigeria following the indigenisation decree which would have forced it to take in a Nigerian partner. "You take IBM away from the computer scene and it's Christmas," says Mr Benson. From 1948 to 1978, ICL had installed 17 computer systems. Since then the figure has jumped to 40. Mr Benson estimates there are now some 150 mainframe computers in Nigeria, the bulk of which were provided by IBM.

"There is no doubt that there is a crying need for data processing here," says Mr Benson.

In the past year, Nigerian government officials have made inquiries about computerising the information which is required of some 2m government employees under the Code of Conduct Act. Police officials in Lagos have been considering the purchase of a computer for Nigerian criminal records. A national identity card scheme may well be administered by a data processing system, which would mean a nation-wide spread of computer centres.

In its recent annual report, the Central Bank complains bitterly about the lack of data available for its analysis of the economy. "The data situation has in fact continued to deteriorate," it states. The bank calls on the federal and state governments to recognise this

PROFILE: ICL NIGERIA

as a "serious national problem calling for immediate attention." Considering the central bank's crucial role in government, this could mean a bonanza for computer companies operating in Nigeria.

On top of these public sector possibilities, the business community is also proving more receptive to the use of computers. This interest is largely thanks to the development of the mini-computer which is particularly suited to the demands of operating in Nigeria.

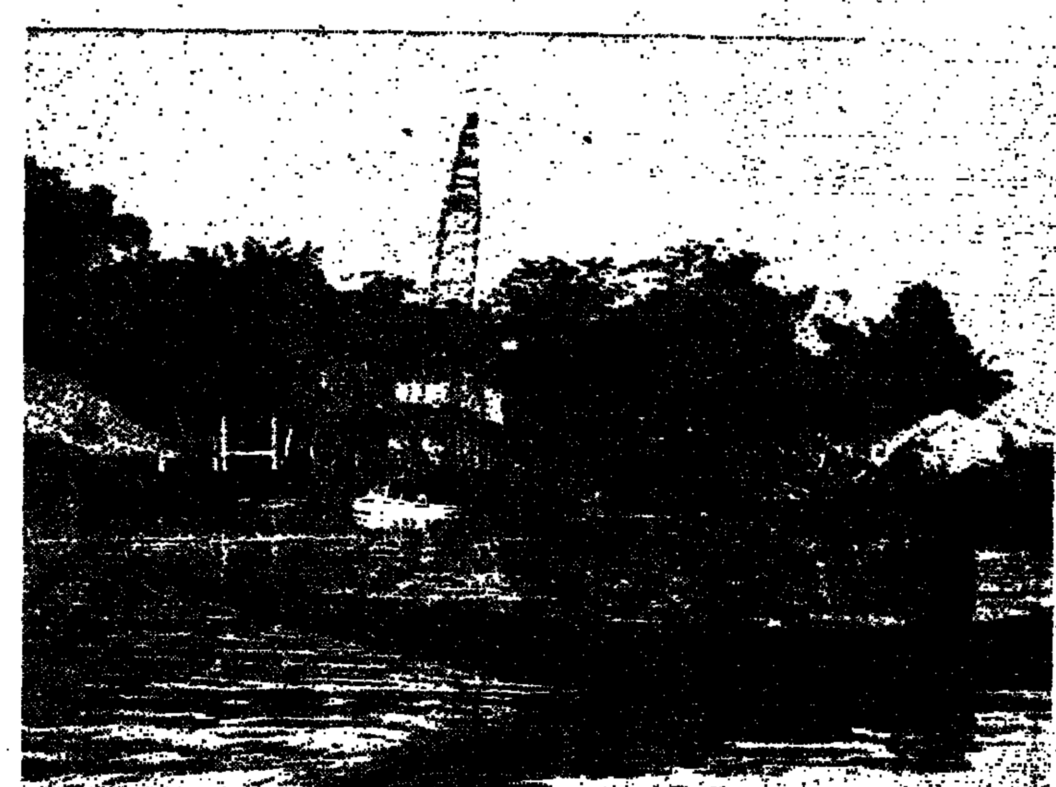
"Companies here are increasingly wary of a big, expensive computer installation which requires many skilled technicians to operate and maintain," says Mr Benson. He explains that a mini-system, with the proper software, is easier to maintain because of the trend towards solid-state technology.

The many restrictions and problems associated with imports compel companies in Nigeria to keep several months of stocks on hand. Stock control, as a result, is a prime arena for the mini-computer. Further, these units can be fairly well insulated against the vagaries of operating in Nigeria, such as high humidity, electricity failures, and security problems.

At the moment, gross margins for the industry are a healthy 60 per cent. "This year we are shipping a lot, so our costs are well covered. Predictions for next year, however, are very difficult to make," says Mr Benson. The importation of computer equipment is subject to Government licence. As a result, ICL could well find its rate of shipment slowing in the coming months as the Government seeks to conserve the outflow of foreign exchange.

"This is a very insecure place in which to do business," says Mr Benson. On the other hand, he says, he enjoys the job tremendously. "I don't know where I'd have as many challenges. It's a place you really grow in. Most of the decisions I make here are big ones. It wasn't like that in Sheffield."

Carla Rapoport



A grab dredger starts to cut a canal in the Niger delta. New canals aid agriculture and improve communications in the region, particularly during the dry season when even canoes must often be carried past unsuitable waterways

Investment door is open

THE DOOR to foreign investment in Nigeria is open. But there are traps on both sides of the entrance: bureaucrats with regulations which test the patience, costs which demand a liberal budget, business conditions which resemble the red-in-tooth-and-claw capitalism of the 19th-century U.S. and a lack of facilities which 20th-century Europeans take for granted.

Yet there are two overwhelming reasons adduced by businessmen for taking the risks. First the market of 85m people is too large, too prosperous in potential, to ignore—"you can't afford not to be in; if you don't come somebody else will," one typical attitude. Second is the only way to secure a long term presence in the market is by direct investment — import policy is too fickle to rely on direct selling.

From the Government's point of view industrialisation is the "sine qua non in national efforts to achieve the degree of self-reliance and confidence without which a nation can neither have the stability necessary for social peace at home nor muster the respectability and means required for meaningful involvement in international affairs."

The reality behind this, perhaps surprisingly, is that foreign investment inducements have not proved particularly generous when compared with other developing countries and that a combination of poor infrastructure, high cost and low productivity labour has had a powerful effect in barring investment.

That said, there are significant profits to be made in industries which mesh in with the thrust of Nigerian development. The Government has recently announced plans for a major expansion of commercial vehicle capacity. Thus, for example, there are opportunities for component manufacturers.

Outside this sector, the priority areas for investment are:

- Industries based on agriculture and food processing
- Building materials from roofing to bathroom taps
- Household goods, ranging from cupboards to cutlery
- Chemicals and pharmaceuticals (for the latter there are some contract manufacturing facilities available in the major trading houses)
- Scientific instruments and educational equipment
- Telecommunications equipment
- Electrical and electronic manufacturing which goes beyond the assembly of imported components.

The Nigerian Government is prepared to offer protection to companies setting up in these areas, though the value of such undertakings is limited by the difficulty it has in controlling what has become a highly organised smuggling industry.

Although the Government encourages local industry to buy materials locally, one of the major attractions for foreign companies in establishing Nigerian joint ventures is that extra outlets become available for other group products.

Thus it is possible for groups with a substantial spread of interests to make their profit on the goods sold into Nigeria as components and raw material for local assembly and manufacture rather than to rely on their share of dividends from the Nigerian operation.

The cost of such components and materials, the work of the SGS notwithstanding, may be geared as much to the costs of the Nigerian operation as to the costs of manufacture outside the country. In other words, companies have often sought compensation outside Nigeria for their costs inside.

Such accounting procedures take place against the background of official policy that more and more business should pass into Nigerian ownership and management. There is a schedule of activities reserved for Nigerians which includes some basic industries like baking and singlet manufacture and embraces parts of the distribution network and services such as dry-cleaning and travel agencies.

Foreign investment comes into play for intermediate industries like construction, food processing, leather footwear and paper conversion where Nigerians must hold at least 60 per cent of the equity in a business.

The compulsory Nigerian holding slips to 40 per cent in more advanced industries like fertilisers, engine production, shipbuilding, non-ferrous metals and communications equipment.

Under present conditions it usually takes between six and eight months to organise the formalities of company registration. The legal costs are likely to be between N5,000 and N10,000, Lagos lawyers say.

Setting up a company involves negotiations with several ministries. The Ministry of Internal Affairs will decide whether a business may be established. The Chief Immigration Officer will have to approve the employment of expatriates. The Ministry of Commerce has to provide a certificate of registration for a company.

Beyond all this there are two crucial steps. A foreign company will need Approved Status if it wishes to import capital. Without Approved Status it will have great difficulty in remitting dividends overseas. This is settled at the Ministry of Finance.

Second, a foreign company will have to decide if it wishes to take up any of the financial inducements offered by the Nigerian Government. The most valuable inducement at first sight is the grant of Pioneer Status, which gives tax exemption on profits for up to five years. But the Ministry of Industries has a narrow interpretation of pioneering and only 29 companies qualified between 1973 and May 1981.

In practice, foreign companies have preferred to win Approved User Status. This was awarded to 625 companies between October 1979 and May 1981. Its chief value is a concessional rate of duty on the import of raw materials, the extent of the concession depending on the company's site in relation to the ports. The Nigerian Government remains anxious to secure the dispersal of industry, and not to have it concentrated in the Lagos area.

Movement away from Lagos means an immediate saving in overheads, but has not proved a popular course for companies anxious to secure the dispersal contracts.

Foreign companies are budgeting on about £100,000 a year to keep an expatriate in the Lagos area. Office space in prestige buildings is running at about N35 a sq ft. House rents in the fashionable suburbs have to be paid five years in advance, meaning an outlay of £250,000. For a flat the costs could be around £150,000.

These costs are prompting some foreign missions to advise companies seeking advice on establishment in Nigeria to contemplate the formation of a Nigerian front company to engage in property development in tandem with the setting up of an industrial enterprise.

New investors in Nigeria, however, are finding that the authorities are strict about the number of expatriates allowed in to run a business.

Yet the market is developing in leaps and bounds and companies entrenched have found that, once the cultural jump to acceptance of the distinctly Nigerian fashion of doing business has been accomplished, the difficulties are manageable, that Nigeria is in the words of one investor, "the greatest ground for an enterpreneur I've ever seen."

Paul Cheeseright

INVESTMENT FORMALITIES

PROCEDURE	FORM REQUIRED	OBTAINABLE FROM	TO BE SUBMITTED TO	NO. OF FORMS
Business permit and expatriate quota	Immigration T/1 Initial Quota, Immigration T/2 Additional Quota	Permanent Secretary, Federal Ministry of Internal Affairs, Lagos	Permanent Secretary, Federal Ministry of Internal Affairs, Lagos	Ten
Incorporation	C.O.1 (Statutory Declaration) C.O.6 (Notice of location of office) C.O.7 (List of Directors) Statement of Nominal Share Capital, Printed Memorandum and Articles of Association	Federal Government Printer, bookshops, etc.	Registrar of Companies, Federal Ministry of Trade, Lagos	One of each
Registration of a business name	Form 1 or Form 2	Registry of Business Names, Broad Street, Lagos	Registry of Business Names, Broad St., Lagos	One
Approved Status	Letter of application based on Ministry of Finance Questionnaire	Exchange Control Officer, Federal Ministry of Finance Government Secretariat, Ikoyi Road, Ikoyi	Exchange Control, Federal Ministry of Finance, Ikoyi	Two
Multiple Re-entry Visa	Immigration 22 (Imm. 22)	Federal Ministry of Internal Affairs, 27 Kawaka Street, Lagos	Chief Federal Immigration Officer, Visa Section, Federal Ministry of Internal Affairs, 27 Kakawa St., Lagos	One plus valid passport and letter from employer
Residence Permit		Federal Ministry of Internal Affairs, 27 Kakawa Street, Lagos	Immigration Dept., via consular authorities	Two
Pioneer Status	AP1/1 Pioneer Industry AP1/2 Pioneer Certificate	Federal Ministry of Industries Government Secretariat, Ikoyi Road, Ikoyi	Permanent Secretary, Federal Ministry of Industries	Five
Nigerian Securities Exchange Commission approval	NSEC 1	Nigerian Securities, Exchange Commission Mandilas House (9th Floor), 96/102 Broad Street, Lagos	Nigerian Securities Exchange Commission, Mandilas House, 96/102 Broad St., Lagos	One
Nigerian Enterprises Promotion Board approval	Basic Data Form 1	Nigerian Enterprises Promotion Board, Constanza House, 72 Campbell St. Lagos	Nigerian Enterprises Promotion Board, Constanza House, 72 Campbell St., Lagos	One
Approved User scheme	Sale 65	Federal Ministry of Industries, Government Secretariat, Ikoyi Road, Ikoyi	Permanent Secretary, Federal Ministry of Industries, Lagos	Three
Notification of intention to incur capital expenditure	Form 1	Federal Ministry of Industries, Industrial Inspectorate Division, 11 Kofo Abayomi Street, Victoria Island, Lagos	The Director, Industrial Inspectorate Division, Federal Ministry of Industries	Two

One company's success

THREE OF the world's tallest buildings have on them cladding and roofing material from H. H. Robertson, the U.S. group that claims to be "the largest multinational corporation in the world which manufactures and erects lightweight building products."

With this pedigree, a bigger stake in one of the world's fastest-growing economies—Nigeria—was identified therefore by the group's executives as an important objective.

Robertson had been selling in Nigeria for 20 years before, in 1977, it decided to set up a local manufacturing unit which would be organised from London, the centre of its international operations. At that time, import licences were becoming more difficult to obtain: there was a fear a ban could be put in place.

By the end of that year, Robertson had found Nigerian partners who were prepared to put up capital but were not interested in the day-to-day running of the company, so Robertson kept management control. Operating in a priority development sector, Robertson was able to win acceptance for a 40 per cent Nigerian shareholding.

From early 1978, the company, which was to become Robertson Nigeria, started pressing ahead on two fronts. On the plant level, architects were brought in and then at the end of the year the construction plans for the Robertson plant at Enugu in the south east went out to tender. The plant should have been completed by mid-1980, but when the local contractors went bankrupt, Robertson took over the job itself and finished work early this year.

At the financial and corporate level, it took up to six months simply to establish the company and a year to win permission from the Ministry of Finance to raise a loan in Nigeria and to import foreign capital. Once it had settled this basic financing, construction of the factory at Enugu could start.

The total initial investment was N3m raised from the Nigerian partners, bank loans inside Nigeria and bank loans from outside.

By April 1981, Robertson Nigeria was ready to start work at Enugu, but even by then the legal formalities had not been completed. In fact, Robertson Nigeria is still waiting for a certificate from the National Enterprise Promotion Board, which will specify that it is in the correct schedule of activity for new investment.

The company has been granted Approved User Status, so that it can take advantage of preferential tariff rates on the import of raw materials a concession of signal importance to the group's UK operation, which with a new coil coating line wanted additional outlets. Robertson Nigeria is bringing in coated steel and forming it for the local market.

In the first six months of operation, despite teething problems, the new company had a turnover of N500,000 and expects to expand this next year — always provided there is no halt to the development at Abuja, the new federal capital, and at Ajaokuta, the new steel works, where vast amounts of roofing material will be needed.

Paul Cheeseright

The losing battle to beat smuggling

Gross profits for Nigerian companies fell by 3.9 per cent last year, according to a survey by the Central Bank. "Most of the firms attributed their poor performance to keen competition from smugglers and unorganised street traders, and continued restriction on the importation of certain goods," the Bank said, Paul Cheeseright reports.

"'WE FORGET all the time the pressure under which those who attempt to fashion a new nation state out of the confusion which colonialism and our traditional separate states bequeathed to us.' This was Kobina thinking specifically of the various attempts which had been made to bribe him for one reason or another.

'For instance?' queried Philip.

'The problem of corruption, for instance.'

'Is that supposed to be a justification for corruption?' pursued Philip not letting Kobina off.

'I merely suggest that we must not condemn wholesale what has been termed corruption. Rather. . . ?'

'We must understand it?' Philip concluded for him."

Kobina's problem with what is and what is not corruption in Kole Omotoso's novel* must be endemic in the Nigerian Civil Service. In just the single area of smuggling it has become clear that such illicit activity on the huge scale presently prevailing could not take place without a large degree of official connivance.

Any visit to any market is to witness the way in which the import licensing system with its prohibitions and provisions for the controlled entry of specified products is daily flouted as much by those who retail as by those who bring in the goods.

The freedom with which imported textiles, tobacco and electronics are sold makes it clear that the trading policies of the Nigerian authorities bear little relation to the way in which commerce is actually conducted.

But this is commerce where only the end result is visible. The goods are there for all to see. The effect of the presence of those goods on domestic entreprise is clear in corporate announcements of lay-offs. What is not visible is the way in which smuggling is carried on.

However, certain assumptions are being made in Nigerian official and business circles. The first is that smuggling over Nigeria's land borders is not the major problem. The cross-land border trading has been a feature of the area for centuries and is not a factor of the greatest concern.

The second is that the smuggling appears over the last two years to have assumed bigger proportions. This leads to the third assumption, noted by Dr Ishmael Igbani, Minister of State for Industries. He says "It has been established beyond doubt that the major source of smuggling is through the use of containers."

Hidden car

All of these assumptions are borne out to some degree by the case of tobacco. Direct UK sales of tobacco to the countries neighbouring Nigeria have declined in value since 1978, while the number of contraband cigarettes available in Nigeria is thought by the Nigerian Tobacco Company, in which BAT has an interest, to have increased over the last two years, so that they now take up at least 25 per cent of the market.

In 1978, tobacco sales to Benin from the UK were worth £2.45m. In 1979 they were worth £2.99m, but in 1980 they fell to £1.6m. The comparable figures for Niger were £3.5m, £4.9m and £2m. There is a similar pattern in the smaller values sold to Cameroon and Chad.

But contraband is not confined to tobacco. It extends to footwear, plywood, textiles, motor components and electronics. The oft-quoted story of smugglers' boldness has a container arriving at Lagos with outer layers of milk powder concealing a Mercedes-Benz motor car.

If the bulk of smuggled goods are arriving in containers, then they cannot be received without an elaborate system of subterfuge involving Government officials. The system extends out of the docks, where those who give incoming containers their first inspection are said to be offered N6,000 for each consignment they fail to examine, through to the police, who ignore what is for sale in the open markets and in places like the black market liquor stores.

The veil over the system flapped slightly in September when Lagos newspapers reported the seizure of a 7-tonne truck laden with cigarettes in Kaduna state. The seizure was described as the biggest for some time and apparently occurred after the lorry refused to stop at a checkpoint. But the interesting fact was that the vehicle belonged to the Army.

Yet the system of subterfuge clearly goes higher into the state apparatus. If the smuggling is on such a large scale as to be, in the phrase of one businessman, a stranglehold on industry, then large amounts of foreign exchange are required.

It is true that a currency black market exists where the over-valued official naira is traded but this tends to deal in thousands rather than millions.

It appears that the only way of releasing large sums of foreign exchange is for documents used in the Central Bank remittance procedures to be falsified. This would be the obvious way of converting the naira, which is not freely and legitimately traded, into foreign currency. Such practices would go some way to explaining why the staff of the foreign exchange department at the Central Bank is changed wholesale from time to time.

The whole apparatus of smuggling is increasingly the subject of debate, parliamentary discussion and official pronouncements in Nigeria. The Government has budgeted N100m for the purchase of anti-smuggling equipment, including bullet-proof vests for customs officers and X-ray equipment for containers, and for stepping up border patrols and raids on warehouses.

Inevitably, two interpretations are put on these sort of counter-measures. The first and most charitable is that they are a reflection of the genuine concern in the high reaches of Government and that at last something is being done. The second is that the Government is only seeking to make a public show and that because there are so many "godfathers" the counter-measures can only go up so far before they hit a brick wall.

Early this year, the Government staged a purge in the docks and uncovered considerable amounts of smuggled goods. But, whatever the motive of the counter-measures, the physical size of the problem could prove too daunting. Customs examination is supposed to cover all containers, but real checks are said to be held only on about 20 per cent of them. This is not surprising given that some 12,000 containers a month arrive in Lagos alone.

However, the problem of smuggling is not one which the Government alone can handle. The readiness with which smuggled goods are absorbed indicates that they are not unwelcome to the consumer, and may, indeed, be the only source of a particular product for the consumer.

India sells goods worth about N70m a year to Nigeria. Of that figure, N30m comes from hand-woven dyed cloth used exclusively in the eastern part of Nigeria in traditional attire. Until the trade was freed in the middle of this year, the cloth appeared in the Indian export statistics but not in the Nigerian import figures. It found its way to this narrow body of consumers indirectly.

Smuggled textiles, according to Nigerian Textile Mills, the nation's largest producer, accounts for 60 per cent of the annual cloth demand of 200m metres.

In the face of this sort of situation, industrialists acknowledge that they have to ensure that their products match the quality of smuggled imports and that they must produce in sufficient volume and variety to satisfy the bulk of local demand at as low a selling price as possible.

"There has to be co-operation between industry and government mutually to find a solution," said Mr Eric Brewis, the managing director of Nigerian Tobacco. "If the solution is not found, the Government will lose out because of lost revenue, lost job opportunities and lost investment. And industry will lose its base."

Impossible target

The scale of losses on both sides is now becoming apparent. If all the smuggled cigarettes smoked in Nigeria were instead made in the country, the Government would gain about N70m in revenue in excise, would save on the foreign exchange spent on the cigarettes and would take higher corporate tax from the tobacco companies. The Nigerian Chamber of Commerce hazarded the estimate that the Government overall is losing N500m a year on tax evasion caused by smuggling.

At the same time, smuggling is causing local plants to lay off workers. In September, Nigerian Tobacco made 700 redundant and cut out shifts at two of its works. UAC and Bata have respectively made 1,500 and 400 redundant. Nigerian Teijin Textile, the largest polyester spinner in West Africa, became the third textile producer in Nigeria to close and dismissed 900 workers.

Among the wholly indigenous enterprises, Joas Electrical of Lagos embarked on an expansion in 1978 which was planned to take it from the simple assembly of Sony electronic goods to the manufacture of component by 1985. If the smuggling continues, the company warned the target would be impossible to meet.

Industries affected by smuggling are caught in a vice. They know what needs to be done to combat smuggled goods, but the very fact of the smuggled goods cuts into their ability to do it. The Government seeks to encourage manufacturing but cannot deliver the protection it promises.

* *To Borrow a Wandering Leaf by Kole Omotoso; Olaiya Fagbamigbe, Akure, Nigeria; 1978, N1.80.*

JOSIAH PARKES in Nigeria has been receiving complaints about the quality of its locks. The customers thought they were Union locks. In fact they were cheap imitations.

The company, an associate of Josiah Parkes in the UK, a member of the Chubb group, is one of a number of companies which have fallen victim to counterfeit products flooding the Nigerian market. Turner and Newall of Britain had the same problem with its Ferodo brake pads. There have been similar cases in pharmaceuticals, sports goods. Indeed, all quality branded products are at risk.

In the Parkes case, exact copies of Union locks, purporting to be "made in England," have appeared on the market. Other products looking like Union locks but bearing slightly different brand names have been made available, and there have been straight copies of the Union product, although there has been no attempt with the labelling to make them appear to come from Parkes.

The main source of the counterfeit products has been Taiwan, but some of the copies appear to have come from China. Taiwan is considered to be the main source of counterfeit products, whether locks or car components.

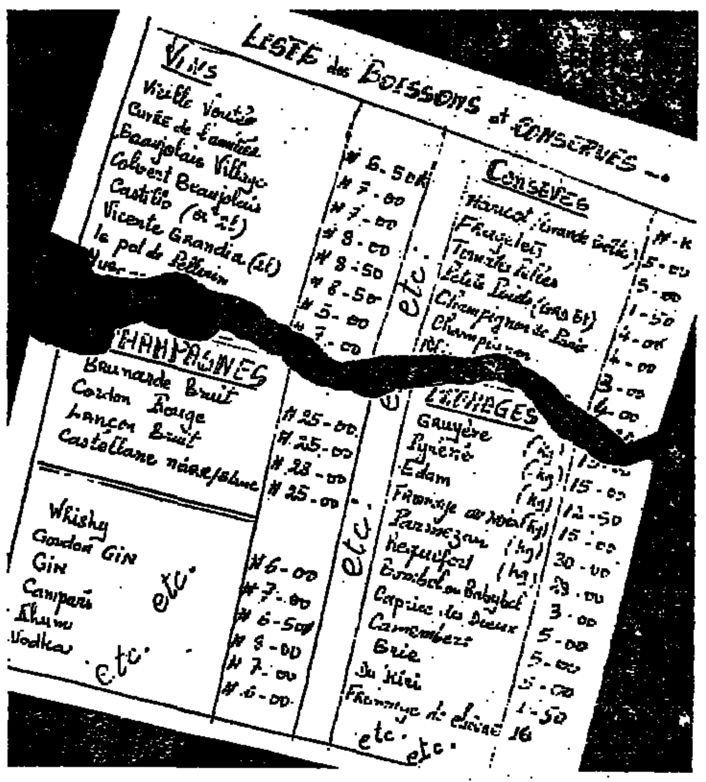
The counterfeit products are sold not only in Nigeria but elsewhere, at a heavy discount compared with the genuine product. The effect on Parkes has been threefold.

In 1978-79 sales were running at 7m naira (nearly £6m) a year. Now they are down to 4m naira. Secondly, the counterfeit products have caused a build-up in Parkes's stocks which have to be sold at low prices. And third, the company has been left with the top end of the market, which in any case has been depressed.

Like other companies, Parkes has been pursuing the problem in Taiwan, and has drawn some comfort from stricter Taiwanese export regulations.

But in Nigeria its scope for action has been limited. Court action has been brought against a distributor, but the case has been tied up in the courts for nearly a year. And the company has been handicapped by the lack of rigour in the application of Nigerian patent and trademark regulations.

Paul Cheeseright



Fears for the future of local industry, below, expressed in the Nigerian press, and a privately circulated list of available black market wines and delicacies show the dual face of smuggling—illegal pandering to the local taste for imports and the undercutting of development.

The smaller indigenous banks are finding it hard to penetrate the market despite a 37% growth in lending, reports Carla Rapoport

Big three still dominate

IN THE centre of Lagos, you can still find fruit merchants who will wrap your roast banana in Barclays Bank of Nigeria stationery. The name Barclays is no more in Nigeria. It has been replaced by Union Bank, in which Barclays has a 20 per cent stake. But those foreign banks which have stuck it out in Nigeria, albeit with a reduced shareholding, have been well rewarded for their troubles. Despite strict regulations on lending and tightening government controls, foreign banks are reaping excellent returns as their Nigerian associates expand rapidly.

Private sector by the 20 commercial banks surged 37 per cen last year to 6.4bn naira (about £5.3bn) or 88 per cent of total credit to this sector, according to a recent central bank report. In an effort to stem this heady growth, the government has restricted total credit expansion in 1981 to a 30 per cent increase. In September most banks were complaining that they had already hit their ceilings. Because assets to capital must remain at a 10:1 ratio, the main commercial banks have also had to begin offering new redeemable preference shares.

First Bank, 40 per cent owned by Standard Chartered, was first in the queue two months ago with an offering of N25,000m in N redeemable preference shares at 9 per cent, which would strengthen its equity base by 41 per cent. The issue was well received and United Bank for Africa (40 per cent-owned by Banque Nationale in Paris) followed with a similar offering. There seems to be little doubt that Union Bank, the last of the big three commercial banks in Nigeria, will follow when the market is ready for more.

Bankers do not expect the new issues to cause an appreciable dilution in return on shareholders' funds, which last year averaged 25 per cent for the larger banks. In the short-term, bankers say the present economic slow-down is causing a squeeze on liquidity and some increase in short-term lending rates, but they expect a pick-up by mid-1982 and a continuing healthy profit performance.

Profits, however, are almost exclusively the province of those banks with foreign participation. Ironically, considering the palavar over indigenisation of the foreign banks, they have emerged stronger from the experience at truly Nigerian institutions, backed by the federal government stamp. For most of the indigenous banks—largely state-owned—it has remained a struggle.

In fact, domination of the banking sector by the big three has diminished only slightl since indigenisation in 1976. In 1973, United Bank of Africa, Barclays and Standard Chartered handled 67 per cent of total assets, 70 per cent of total deposits and 50 per cent of total loans and advances. Last year the figures were about 60 per cent, 55 per cent and 60 per cent respectively.

Mr R. O. Adewusi, deputy managing director of the National Bank of Nigeria, the oldest indigenous bank in the country, said the bias against local banks was strong among the largest companies, as well as among Nigerians.

"Those big banks managed the economics of West Africa. They've got all the big accounts and there is little chance of changing that. "As for the small, Nigerian companies, he said the banking crisis of the 1950s (in which 19 out of 26 banks failed, all of them indigenous) remained fresh in Nigerians' minds.

But National Bank is profitable, and continues to grow Mr Adewusi said. Its less successful brethren would learn from their mistakes. "We also had large provisions for bad debts for many years. It takes a while to get it right."

Bankers explain that the tribal culture in Nigeria works against the indigenous banks. For example, a loan officer of one tribe often feels obliged to lend to an elder of the same tribe. Corruption is also a major headache. One commercial banker in Lagos said that no bank in Nigeria was free of it. He said that the "10 per cent man" was a particular problem in rural areas. This is a loan officer who offers a customer a loan on the condition that he passes back 10 per cent of the money "under the table."

All the banks say they are pinched by the strict government requirements on lending. The central bank dictates that 75 per cent of all commercial lending shall be to the preferred sectors (production, services and exports) and 14 per cent of the total must go to the agricultural sector and residential housing construction at reduced rates. For 1980, these targets were simply not met, with 70.8 per cent of lending in the preferred sector, according to the central bank.

The banks are also required to put 40 per cent of their lending in long- or medium-term loans as well as to distribute 16 per cent of their total lending to small, indigenous businesses.

An official at one of the big three banks said 72 per cent of his lending was loans of less than N10,000. In volume terms, this represented under 1 per cent of the bank's portfolio. He said the bank did not make money on these loans because of the personnel and paperwork costs.

"If they default, it's not worth the lawyer's fee to sue." he said, particularly as overheads had increased by 40 per cent last year.

COMMERCIAL BANKS' PROFITABILITY

	Net income (N m)	Return on average shareholders' funds (%)	Total loans and advances (million)
First Bank (1)	23.9 (annualised)	19.1	1,074
United Bank for Africa (2)	22.7	26.4	1,213
Union Bank (3)	20.7	27.9	964
International Bank for West Africa (4)	11.5	37.6	379
Bank of the North*	10.4	29.1	405
Savannah Bank (5)	3.2	17.4	214
National Bank*	2.7	21.0	245
Societe Generale	2.3 (annualised)	62.8	230
Nigeria-Arab Bank (6)	2.1	22.5	31
Allied Bank (7)	1.5	27.0	32
New Nigeria Bank*	1.2	16.2	91
Pan African Bank	0.17	2.5	105
Co-operative Bank*	—	—	185
African Continental Bank*	—	—	403
Co-operative Bank of East Nigeria*	—	—	59
Wema Bank*	—	—	54
Mercantile*	—	—	71

(1) Standard Chartered, 40%. (2) Banque National de Paris, 40%. (3) Barclays, 20%. (4) Banque Internationale pour l'Afrique Occidentale, 40%. (5) Bank of America, 40%. (6) Arab Bank, 40%. (7) Allied Bank of India, 40%. * Wholly-owned indigenous banks.

Source: 1980 annual reports

Capital market surging ahead

IF BANKERS have to pay for their sins, they do so on Broad Street in Lagos, Nigeria. From morning until night, the street is one long, sweaty traffic jam and the pedestrian must pick his way around the gaping sewerage drains, streams of pedestrians and hooting cars. But to ensure prompt and full participation in the growing number of medium- and long-term locally syndicated loans, this is the street which bankers must ply to visit their fellow bankers.

Although still a tiny business, the local syndication market is sprouting wings. Bankers estimate that 80m Naira (£66m) was raised last year and the figure hit N120m this September. With a N75m local syndication for Nigeria Airways' purchase of Boeing 737s in the pipeline, the figure could double next year. The growth is syndicated loans is not a isolated phenomenon. The capital markets are continuing to gain strength and sophistication.

Although all the major banks are involved, the six merchant banks are pursuing this business most aggressively. "This is cheap money for a company moving into manufacturing," says Mr David White, a manager at Icon Merchant Bank, in which Baring Brothers of the UK and Morgan Guaranty of the U.S. each has a 20 per cent stake.

Mr Richard Cumberland, a deputy manager of Chase Merchant Bank, displayed a clutch of medium-term credit documents for companies like Rabiu Bottling and CFAO Nigeria, saying: "There's been a considerable increase in borrowing right across the board in the past two years with a lot more money trying to find remunerative homes."

He added: "There is sufficient foreign exchange so a company can come here, open a letter of credit, pay cash for its equipment, ge. financing between 10 per cent and 11 per cent, and incur no currency risk."

About 65 per cent of merchant banks' liabilities are held in short-term deposits which earn 5 per cent interest: longer-term deposits (one year) yield 6.5 per cent. As a result, the merchant banks enjoy a

CONTINUED ON NEXT PAGE

Competition in the jungle is fierce

IF YOU are doing business with Bank of America, the chances are good that an office is not too far away from where you sit at the moment. Unless you happen to be in Rivers State, Nigeria, where you will have to charter a boat.

Bank of America's Nigerian affiliate, Savannah Bank, has three branches deep in the river delta swamps of eastern Nigeria and all are inaccessible by road. In Sagbama, the Savannah Bank is one of eight brick buildings in a village of mud huts and palm frond roofs. Sagbama has no pipe-borne water, no general electricity, no telephones, no cars, but it has a bank.

Mr Tamuno Bera Benigo, the only banker in Sagbama, leads a quiet life. In the two years since he started the Savannah Bank branch in the village, he has granted two loans and opened 165 cheque accounts.

The Sagbama branch wasn't Savannah Bank's idea. Like all 20 commercial banks operating in Nigeria, Savannah is under orders from Nigeria's central bank to build rural branches throughout the country. The locations are up to the central bank.

Mention the rural banking scheme to a banker in Lagos and he will put his head in hands. "We lose N100,000 a year on each one," one banker said. "And that is not counting the N50,000 start-up costs." Another banker said: "We have 27 rural branches and we lose money on all 27. I don't expect some of them to make a profit for ten years. Make that 20 years."

The purpose of the rural banking scheme, however, is lauded. The central bank intends that the investment of more funds in the rural areas should give more business opportunities to rural dwellers and check the flow of people to the cities.

In the two years since the central bank launched the scheme, 102 rural branches have opened. They account for 25 per cent of the total branch system and by June, had collected only 116m naira (nearly £100m) in deposits and lent N22.3m, or 0.4 per cent of all commercial banks loans in Nireria.

The walk from riverside to the Savannah bank takes a few minutes. Sagbama, which has a population of about 4,000, has no sewerage system, no tarred roads and no proper drainage, so any stroll is undertaken carefully through the mud and refuse.

The villagers' houses, however, are well built and offer excellent respite from the blinding heat. The ornate, colonial police station, the bank manager's house and the few local government buildings aside, everything is built with mud and thatch.

The bank handles the local government funds, which means that the average balance sometimes tops N600,000. "The trend, unfortunately, is always withdrawal. They are always in need of cash," Mr Benigo said. Like bankers throughout Nigeria, he is reluctant to annoy his major customer. "When the government officials roll in and want to overdraw, we really can't refuse."

Mr Benigo has made regular trips campaigning for more depositors in the hopes of diversifying his customers. "People are still reluctant to use a bank. The old women like to count their money every night and then sleep on it. The idea of interest hasn't sunk in."

In common with all Nigerian commercial banks, service in Sagbama is slow. The bank's only outside link is a radio line to Port Harcourt, and money must be flown in by helicopter. With papers moving by motor boat, it can sometimes take three months to clear a cheque from Enugu, which is just 150 kilometres away.

The bank supervisor admits the bank has probably arrived in Sagbama too early, but he is hopeful that the village will catch up. "Five years ago, this whole place was jungle. In the two years since I've been here, we've had three brickmakers start up and a bakery is under construction. If we get a road through here, Sagbama could take off."

In the meantime, Mr Benigo can't exactly sit under a palm tree. As he waved his boat and pilot back on to the river to fetch drinking water for his family, he pointed to a bend just ahead.

"Over there is the next village. They've got petrol and safe water and they've also got a bank." Since then, another bank has opened just down river. Sagbama might be the middle of nowhere, but it has three banks within paddling distance.

Carla Rapoport

It's a quiet life on the stock exchange floor

A STOCK EXCHANGE equipped with pink and yellow chalks and one large blackboard with 12 desks in front can't help but provoke a smile from those who have visited Wall Street or the London Stock Exchange. But activity on Nigeria's tiny exchange is steadily growing and its business with a market value of 4.7bn naira (about £4bn), is by no means a joke.

The military government cosseted the exchange from the country's free-wheeling economy by pegging the prices of listed stocks which came to the market with the indigenisation decree to artificially low levels. Since that time, shareholders have remained reluctant to sell, because yields are usually as high as 10 per cent against savings deposit rates of no better than 7 per cent.

Stock exchange officials do not want to see bedlam on their trading floor. They envisage a slow development based on the credibility of the companies traded and the loan stock in which it deals. They want the exchange to remain independent of the raging economic storms.

"If we can do this painlessly, it's better for the country," said Mr Hayford Alile, director general of the exchange. "We don't need roller coasters in here. We've got enough outside."

In 1980, seven securities came to the market, including four government loan stocks worth N300m and three equity issues valued at N2.4m. In the secondary market, however, volume jumped by more than 7m transactions compared to 3.2m in 1979. The value of these deals was telescoped by government securities, but the activity has prompted some price movements upwards and in turn has given a nudge to price earnings ratios.

These ratios, which had been as long as 2, were now mostly in a range of 4 to 5. Mr Alile said and they continued to improve. A check on the price lists in May and again in October shows that the banks are strong performers, followed by construction companies. Union Bank shares, for example, gained 14 kobo in the period to K216. But the exchange isn't entirely free of influences; poor profit performances by manufacturing groups, hit by smuggling and import troubles, meant that 17 of the 49 manufacturing shares were trading below par (K50) in October compared to 11 below par in May.

Turnover compared with the number of shares outstanding has started to rise and is now 10 per cent. Of the total market N4.7bn, however more than N4bn is in government loan stocks and this is where the major action takes place.

Of the 159 stocks listed, 51 are federal government loan stocks, one is a state bond, 14 are industrial loan stock (one more than a year ago) and the rest are equities. The equities break down into 49 manufacturing, six financial, 28 in the commercial sector and ten service listings.

"It's true that most people see the market as a savings milieu," Mr Alile said. "People are worried that if they sell, how will they make up their portfolio?

"We are trying to educate Nigerians not to look at dividends, but to go for capital gains," he said. But he admitted that the gambling instinct was not strong in Nigeria.

This has been one of the many reasons the exchange has been unable to lure wholly owned Nigerian companies to the exchange. So far only a handful is listed and none has come forward this year. The new equities in 1980 were companies with foreign holdings.

Prof George Nwankwo, executive director of the central bank, maintains that Nigerian companies are reluctant to go public because of a "mutual distrust among them to form into bigger companies and their refusal to share or dilute ownership and control."

It may be some time before the chalk gives way to flashing electronic numbers. On the last week in September, when stock markets around the world were going haywire, Nigeria's trading volume hit an all-time high of 319,332 units traded. The excitement peaked when two lots of more than 100,000 units were offered midweek.

"Somebody must be in dire need of money," a broker was reported to have exclaimed. For the moment, there still seems little better reason to sell.

Carla Rapoport

Room for everyone in insurance

INSURANCE, LIKE most markets in Nigeria, is bustling. Gross premium income has surged from N123 (about £100m) in 1975 to N485m this year. Although there has been some slow-down with the recent tumble in oil prices, there seems little doubt that premium income could reach N1bn by the mid-1980s.

"We are expanding faster than we have manpower to fill," says Mr Dick Ritter of American International Insurance, which is 40 per cent owned by AIG, the American group. With more than 70 insurance companies operating in Nigeria, most of them with premium income of less than N5m, the growth is mainly being achieved by the bigger groups. For the smaller ones, the scramble to stay afloat in many cases is their main occupation.

The impetus for growth on the part of the small companies is partly dampened by lack of competition. Despite its rapid expansion, there is still more insurance business than places to put it.

As a result, a fair proportion of large-scale insurance underwriting is still done offshore. Insurance rates are thus in line with overseas rates. Unlike their UK and U.S. counterparts, which have to cut fees to generate volume, the larger companies operating in Nigeria are able to sustain reasonable profits on their underwriting activities.

Law Union and Rock Insurance, which is 40 per cent owned by the Royal Group of the UK for example, reported N747,000 in underwriting profit for 1980 against N433,000 for the year before on net premiums of N2.4m, against N1.9m in 1979.

By law, 20 per cent of all liabilities must be written over to Nigerian Reinsurance, followed by a further 10 per cent of all reinsurance activity. With 30 per cent of all risks absorbed by this government-owned institution, the stability of the market has been enhanced, although executives grumble that the proportion is far too high.

"Companies are becoming more reinsurance conscious," says an official at Nigerian Reinsurance. The collapse of a few large companies recently and some big fires have given added impetus to groups looking to protect themselves from high risks.

Another area of potential growth is life insurance, in which only 5 per cent of all Nigerians have invested. Pension fund management and liability insurance are already taking off.

The new growth in capital markets has helped to solve the large companies' problem of trying to find remunerative homes for their money. Most of the larger companies said they would be subscribing to First Bank's recent N25m preference share offering and most invest in the stock market as heavily as possible, given the high yields.

Fraud remains a major problem and in many cases, executives say they are often pressed "to give a pen" to someone in a rural area whom they feel slightly less than confident about. "I've had employees dip into company funds, and at home I would have cried fraud, said an official with a company with British participation. "But the money almost always goes back later on and I have to keep quiet because some of these people in fact, are very good."

The Government's prediction of a major agglomeration of small insurance companies after the Insurance Decree of 1976 has not happened. The smallest groups went out of business (those in non-life business are required to have at least N300,000 in share capital and N500,000 for life) and the rest remained small and independent or substantially larger, with participation from foreign companies. As a result, the market remains fragmented.

Those foreign companies which were obliged to reduce their holdings after the indigenisation decree in 1976 have said their personnel problems have been tough, but the overall effects have not been dramatic.

Several overseas insurance companies are apparently considering a move to Nigeria. Such news won't ruffle many feathers among insurance executives already in place. Most agree there is plenty of room for everybody.

Carla Rapoport

Accountants in squabble

THE ACCOUNTANCY profession in Nigeria is in a lather. In the first week of September the House of Representatives passed a bill which, if passed by the Senate and approved by the president, would effectively reduce the amount of training necessary to work as an accountant in the country.

Searing editorials and front-page stories have appeared in *the nation's newspapers and to* many Nigerians, the issue has broader implications than those for just the accountancy profession.

The bill, if it passes into law, would recognise a rival to the Institute of Chartered Accountants of Nigeria (ICAN). This group, the Association of National Accountants of Nigeria (ANAN), proposes to shorten the three-year traineeship which ICAN requires before becoming a qualified accountant. Further, it would accept auditors within the Government or the chief *accountant of any company,* irrespective of accountancy qualification, as full members of the association. They would then be free to practise their profession with accounting firms or set up their own accounting firms.

ICAN immediately blasted off letters and gave interviews saying the bill would legalise mediocrity and badly damage *the reputation of the account*ancy profession by lowering its standards.

ANAN responded by charging ICAN with fear of competition and said the association had not worked vigorously enough to make accountancy courses available to more Nigerians. The proposed post-graduate courses, it was claimed, would train more accountants more evenly *through the country.*

Those outside the profession see ANAN as perhaps the first of many possible attempts to spread the opportunities of *Nigeria's fast-growing business* sector among the young people.

For Nigeria, however, the dilemma is an acute one. Accountancy firms complain they have trouble finding good candidates for the traineeship programmes they operate. Further, with a developing profession like so many in Nigeria, it is difficult to inculcate top-quality standards in all *employees quickly enough.*

Businessmen complain bitterly that the team of accountants who arrange to audit their books are often well-dressed but not well-trained. "I really have to have it all done beforehand and then say what they should do," says the staff accountant for an American company in the oil field operating in Nigeria.

At the moment ICAN has 2,500 members, of which 1,000 are practising accountants in accountancy firms.

Carla Rapoport

Capital markets surge

CONTINUED FROM PREVIOUS PAGE

healthy spread and are not lumbered with the costly, labour-intensive retail operations or rural imperatives. These factors, on top of hefty non-credit earnings, mean that merchant banks' growth in profitability is extremely strong (see chart).

Hill Samuel, the UK merchant bank, sold its share in Nigeria's oldest merchant bank, Nigerian *Acceptances, to avoid a show*down over its South African activities. Continental Illinois of the U.S. bought the stake and has much to be pleased with. According to a bank officials, profits this year will be 75 per cent up on the previous year and return on average shareholders' funds will be 37 per cent.

Non-credit activities play a strong role in these booming profit lines; the doubling of profits last year included an increase in non-credit income of N3.1m to N8.5m. Thanks to these strengths, merchant banks' total assets and liabilities doubled in the last two years to N1bn at the end of 1980.

Another development in the money market has been the further shrinking of the proportion of short-term assets, mainly treasury bills, and the expansion of medium-term paper, mainly treasury certificates. *New treasury bills were issued* only to replace maturing bills.

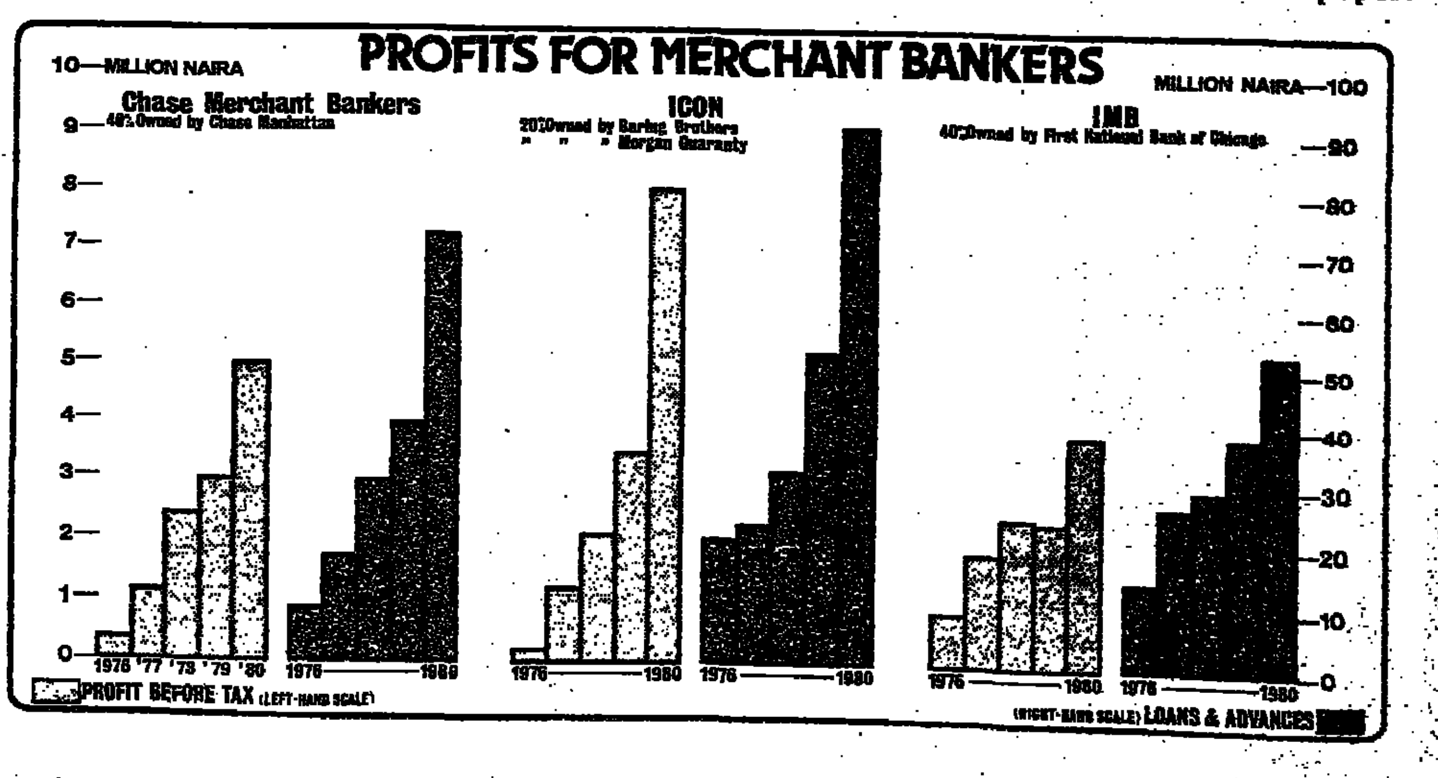
Total money market assets outstanding went up by 84 per cent from 1978 to 1980, reaching N5.4bn at the end of last year. According to central bank figures, the increase was due to the growth in treasury certificates, certificates of deposits and the tiny but growing commercial paper market.

In 1980, treasury bills accounted for 39.4 per cent of the total, down from 45 per cent in 1979, while certificates jumped 56 per cent last year.

While only a handful of companies has tapped the commercial paper market, the total value of paper outstanding at the end of last year doubled to N49m from year-end 1979. The growth has again been largely taken up by the commercial banks which hold 92 per cent of the total. Certificates of deposit outstanding climbed to N126m in 1980, in contrast to a decrease a year earlier.

Other avenues for credit include the Nigerian Industrial Development Bank (NIDB), the Nigerian Agricultural and Co-operative Bank and the Nigerian Bank for Commerce and Industry. Accused of "armchair" financing, these banks have not grown as quickly as their private-sector counterparts, but they continue to make progress and offer financing packages, often in exchange for equity.

Carla Rapoport



Although most companies are philosophical about their fluctuating fortunes, there is some unease, Mark Webster reports.

Industrialists claim Government fails to keep promises

INDUSTRY has had unusually mixed fortunes during the past two years. Those manufacturers with effective protection against cheaper imports and smuggled goods have continued to show a healthy profit. Others, such as textiles, footwear, cigarettes and tyres, have been laying off workers and cutting production as a surge in legal and illegal imports has threatened their markets.

Metal Box Nigeria declared a pre-tax profit of 10.2m Naira (about £8.5m) on a turnover of N35.8m in the 12 months ending March 31—its most successful year. At the same time Dunlop showed a trading loss of N2.6m for the first six months of this year as it was hit by increased imports, higher production costs and power cuts.

Most companies remain philosophical about the rapid changes in fortunes of the manufacturing sector and look at their profitability over a scale of several years. But there is unease about the lack of action by the present Government since it came to power in October 1979. "They're big on promises but they don't deliver the goods," one industrialist said.

Waning

The Manufacturers Association of Nigeria, which groups about 500 enterprises, stated in its annual report that 1980 "opened with a lot of optimism brought about by the declared intentions of the new civilian Government in its first budget. But this optimism started waning as the year progressed due to the conflicting statements coming from various Government agencies . . . at times it appeared that the administrative tail was wagging the political dog."

This view is shared almost everywhere in industry. The policy statement by the Ministry of Industries, which is detailed in an accompanying article, was warmly greeted by manufacturers who expected the present administration to be sympathetic to their demands. But since then, legislative delays have added to familiar problems—power cuts, water shortages, bureaucratic hassles and high overheads.

Despite the difficulties, the improvement in oil fortunes after the 1979 recession began to show itself in the index of manufacturing production last year. The index was up 11 per cent in 1980 compared with only 7.3 per cent the previous year, reflecting the increased flow of inputs as foreign exchange became more readily available and pre-shipment inspection was no longer needed for spare parts and raw materials.

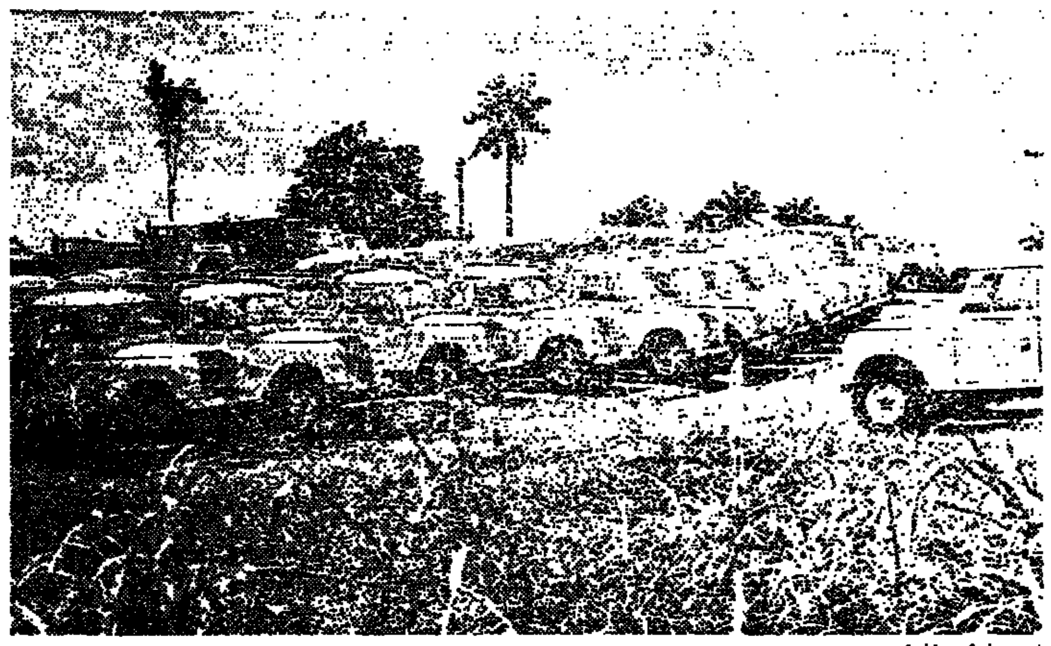
While industrialists agree that the climate improved considerably in 1980, they point out that the Government has done nothing to tackle some of the basic problems. The artificially high exchange rate of the naira makes imports much cheaper than local goods. At home, the average production costs rose an estimated 21.1 per cent in 1980 and the Government continued its policy of price restraint on locally-made goods.

Most serious for manufacturing was the 31.5 per cent average rise in personnel costs as the private sector took the brunt of the new minimum wage of N100 a month and the end of the wage freeze. Personnel costs are expected to go up by a similar amount this year because the minimum wage was increased to N125, obliging many of the less successful companies to start laying off more workers.

In its pre-budget memorandum to the Government this year, the Manufacturers Association highlighted four reasons for what it considered the deteriorating industrial climate; unnecessary bureaucratic rules, inefficient administration of incentive schemes, unreliable infrastructure, and a climate of fear for life and property.

Every company can cite examples of bureaucratic delays either in obtaining the necessary permits, signing contracts, receiving payments from the public sector or getting clearance for the remittance of dividends. One company which applied for an approved user certificate in October 1980 had heard nothing a year later. The process should take 30 days.

Infrastructural shortcomings plague most companies. In its last annual report Cadbury, which manufactures at Ikeja, Lagos, reported that in 1980, only 37.5 per cent of its power came from the national grid.



Ashley Ashwood

Land-Rovers straight off the production line at BL's plant at Ibadan

Metal Box is considering installing back-up generators for its stand-by power equipment to protect sensitive machinery from sudden power cuts and surges.

The industries which are not complaining are those like the breweries, producing consumer goods for a market where they cannot cope with demand, or others, like the pharmaceutical industry, where locally manufactured products account for only a tiny fraction of total demand. Nigerian Hoechst reported a pre-tax profit of N4.3m on a fast-growing turnover of N33.4m last year while Glaxo's operating profit was N3.4m on its N10.8m turnover.

Imbalances

But isolated examples of high profitability and growth in manufacturing cannot mask the grave imbalances which have occurred in the development of the industrial sector. Dr Ubadigbo Okonkwo, head of research at the Nigerian Industrial Development Bank, said: "The overall growth of the industrial sector has been impressive but it is the composition of that growth which is worrisome."

The pace of industrialisation in the 1950s and 1960s was rapid. Starting from a small base, manufacturing grew at 22 per cent a year—three times as fast as gross domestic product. But there was a heavy concentration on light industries producing consumer goods which had little or no link with the rest of the economy, and were heavily dependent on foreign expertise, technology and raw materials

The result is that Nigerian industry today shows serious distortions in its profile. About 75 per cent of all raw materials for industry were imported in 1980. There is little or no sign of intermediate components industries or capital goods manufacturing developing. The private sector re-invests in those areas it already finds profitable and the public sector is only slowly developing primary industries such as steel.

The Guidelines to the Fourth National Development Plan 1981-85 project annual growth in the manufacturing sector at 15 per cent with a heavy investment programme by the federal and state governments. But in the past, some of the worst performers in terms of growth have been the very industries which the Government said it wanted to encourage. Domestic resource-based industries such as food processing and textiles have fared worse than most in past years.

The overwhelming importance of the oil industry means that manufacturing accounts for only 5.2 per cent to gross domestic product, according to the latest series of national accounts. This compares with an average of 25 per cent for other middle income countries.

One of the reasons for this poor performance is that investment has been attracted away from industry into more profitable sectors such as trading. Foreign companies with minority holdings in Nigerian concerns since the indigenisation exercise have been obliged to re-invest heavily because of the restrictions on remittances. But there has been little fresh investment.

The indigenisation programme absorbed a large proportion of domestic savings for existing assets, the Government was in competition with the private sector for funds to cover its budget deficits, and public sector projects were directed to a few, large-scale projects such as steel, oil refineries and fertilisers.

Although the development plan states: "The overall objective of government policy . . . will be to encourage the maximum growth of investment and output so as to ensure a full realisation of the country's industrial potential in the shortest possible time," manufacturers believe that unless the Government's actions can match its intentions, industrial growth will continue to be erratic and unbalanced.

INDEX OF MANUFACTURING PRODUCTION
(1972=100)

Products	Weight*	1979†	1980‡	Percentage change 1980
Vegetable oil	6.2	16.3	12.5	−23.3
Sugar	2.6	116.2	122.2	5.2
Confectionery	4.5	119.4	210.8	76.5
Soft drinks	5.6	433.5	486.3	12.2
Beer (including stout)	28.2	310.8	364.3	17.2
Cigarettes	20.3	117.3	116.8	− 0.4
Cotton textiles	24.4	184.2	196.2	6.5
Other textiles	4.5	1,297.1	1,412.9	8.9
Footwear	1.6	128.8	127.9	− 0.7
Paints and allied products	1.8	274.6	316.0	15.1
Soap and detergents	12.6	325.5	340.3	4.5
Refined petroleum products	4.8	150.6	189.3	25.7
Other petroleum products	17.0	93.1	119.9	28.8
Pharmaceutical	1.8	227.2	238.9	5.1
Rubber	1.1	112.6	113.8	1.1
Cement	6.0	161.9	162.0	0.1
Tin metal	1.4	40.9	40.0	− 2.2
Roofing sheets	3.5	218.6	250.0	14.4
Vehicle assembly	0.7	1,138.9	1,363.9	19.8
Radio, changers, TV—assembly	1.3	187.4	240.8	28.5
TOTAL	15.2	237.5	263.6	11.0

* Derived from 1972 value added. † Revised. ‡ Central Bank estimates.
Source: Central Bank.

Fine ideas but little action

MALLAM Adamu Ciroma, the Minister of Industries, published the Government's strategy for industrial development to encourage investment. But since then little has been done to put the ideas into practice, businessmen complain.

In his 1981 budget address, President Shehu Shagari said he would use fiscal measures "as a means of achieving industrial development based on an increasing use of local raw materials, industrial-dispersal and as a means of encouraging exports of manufactured goods."

To encourage industries to set up away from the main urban areas, he promised a sliding scale of import duties on raw materials, and to encourage exports, there would be a refund of duty paid for any imported raw materials used for export goods. The overall aim, he said, "is to encourage actual manufacturing rather than mere assembling."

Industrialists say the measures are insufficient to persuade new investors to set up shop in the hinterland. They also point out that with the Finance Bill for the 1981 budget still awaiting approval by the National Assembly, the few measures the Government has taken have still not become law.

'Urgent need'

Yet in his policy statement, Mr Ciroma promised: "An urgent need is now felt . . . for a comprehensive review of our industrial objectives and policy and a reorientation of our industrialisation strategy to bring it in line with our new set of objectives."

The Minister said: "There has been an unfortunate complacency and undue satisfaction with the mere physical establishment of industries, regardless of the source of raw materials and other inputs, and without any noticeable efforts to increase local value-added."

He set the principal objectives of the Government as maximising local value-added, using local raw materials, encouraging agro-based industries, developing backward and forward linkages, increasing training of Nigerians and generating more employment, promoting export-orientated industries and dispersing industries throughout the country.

To encourage fresh investment, Mr Ciroma said an industrial development co-ordination committee would be set up with its secretariat in the Ministry of Industries. There would also be a reward system to encourage local industrial research, a data bank to collect information on industries within the country, improved quality control through the Nigerian Standards Organisation, industrial development centres to help small industries and industrial free zones with special privileges to produce for export.

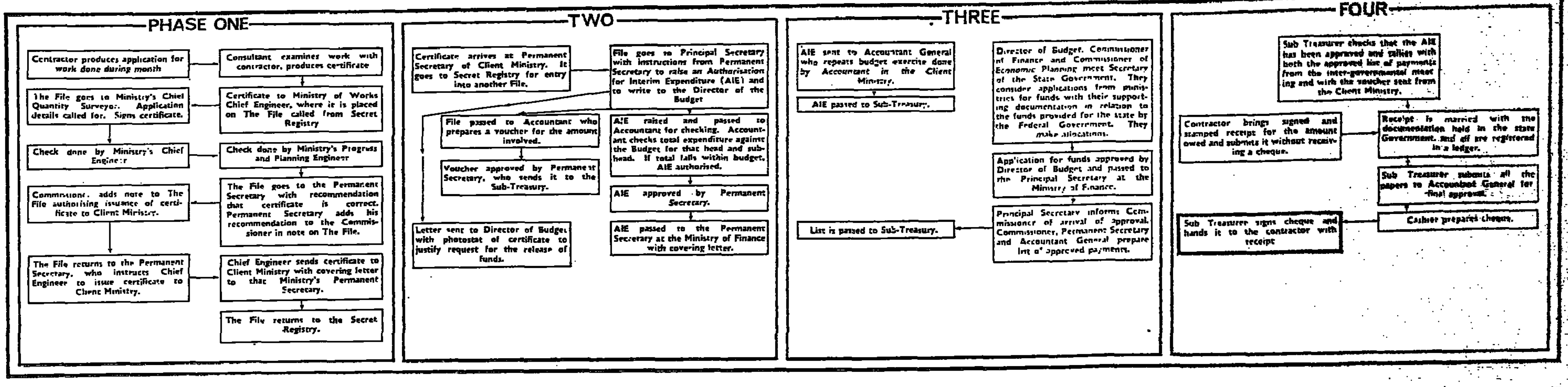
The priority industries were listed as agro-based and food processing; building materials industries; engineering and transport industries producing components; chemical industries, particularly pharmaceutical; makers of scientific instrument and educational equipment; telecommunications equipment manufacturing; electrical and electronic goods manufacture; and household equipment and furniture.

Mr Ciroma said that "relentless efforts" would be made to provide the right infrastructure for industry and that tax concessions would be made to offset the cost of industry providing its own infrastructure. He also promised periodic reviews of laws and regulations affecting the repatriation of dividends "so as to remove bottlenecks."

The brunt of the Government's actions would be to "encourage and nurture the private sector of the economy to make it virile and capable of taking in its stride the efficient production and distribution of practically the whole gamut of goods and services which the nation requires."

*Nigeria's Industrial Policy and Strategy, Guidelines to Investors — free from the Federal Ministry of Industries, Federal Secretariat, Ikoyi, Lagos.

Mark Webster



Charting the course of delay

CONSTRUCTION companies winning contracts from the state governments face at the best of times problems in extracting progress payments from unwieldy bureaucracies. These problems are likely to increase over the next few months as the flow of funds to the states from the Federal Government slows down.

Some states with development programmes costing more than the reduced flow of funds from the Federal Government can cover have already defaulted on payments, leading, for example, Taylor Woodrow to stop work on a road contract in Niger.

Complication

But the very complication of the bureaucracy works in favour of delayed payments, especially when the contract is not with a Ministry of Works but with another ministry, so that an additional bureaucracy is brought into play. This would be the case when the Ministry of Education signs a contract for, say, a new college and then assigns the Ministry of Works to represent it.

The procedures work in the fashion of the accompanying flow sheet. The movement of a file from one office to another, always taken by messenger, the ability for the process to be held up at any point in a series of about moves, means that the extraction of one payment may take, and usually does, a minimum of six weeks.

The process involves, after the submission of the initial demand, a fanning out among various ministries, consideration at the high echelons of the state government, checking and double-checking and an eventual pulling together of all the pieces of paper without any indication of discrepancy before the contractor receives a cheque.

But the catch for the contractor is that a monthly application for payment cannot start its bureaucratic run until the original Ministry of Works file is back in the Secret Registry. Practically, this means that a backlog starts building up every three months, when two applications might start running through together.

Paul Cheeseright

Moves to cut cost of government building

THE PRESENT administration is trying hard to cut what it considers the excessively high cost of government construction contracts. After the publication of a report* earlier this year on the subject, it has already made the first steps towards streamlining the system for awarding federal contracts and tightening costs.

One of the first acts of the civilian administration was to set up a ministerial committee to look into contract prices. The resulting report highlights some of the factors which have pushed the cost of government contracts in Nigeria to twice the level in Kenya and 130 per cent higher than Algeria, another oil-rich developing country.

The committee found that the explosive growth of contracts which followed the tripling of oil prices in 1973-74 was not matched by an increase in the capacity to execute them. As a result, Nigeria has paid extremely dearly for much of the building work which has been done. After reviewing the entire industry, the committee made the following main recommendations:

- Whenever possible, "crash programmes" should be avoided because it is not possible to carry out proper feasibility or cost studies.
- A cost monitoring unit should be set up within the Ministry of Works to monitor the basic price of raw materials in the construction industry, compare contract rates and collate any other information likely to be useful to the Tenders Board when agreeing a contract price.
- All ministries which do a lot of construction work should set up their own consultancy and design organisation.
- Ministries should alert services such as posts and electricity about new building as long as possible before work begins.
- Contracts should be awarded on an "open tender" basis.
- The time lag between evaluating and awarding tenders should be greatly reduced.
- Ministry officials should follow a project through, even after a contract has been awarded, and not leave it to the consultant to monitor.
- A National Construction Development Council should be set up to encourage the development of indigenous contractors as a counter-weight to expatriate firms.
- Highway projects of more than 100 kilometres should be split into sections of between 50 km and 60 km.
- Personnel in construction companies should be rapidly indigenised to cut costs and speed the transfer of technology into Nigerian hands.
- Import of building materials should be relaxed and local building material capacity expanded.
- Commercial and merchant banks should be urged to play a more active role in granting loans to indigenous contractors.
- Mobilisation fees for new contracts should continue to be paid, provided they are tied to a performance bond, are not more than 15 per cent of the contract sum and are not paid in a foreign currency.

The committee was concerned that the cost of any contract in Nigeria was much higher than elsewhere in Africa. For example, the cost of an irrigation scheme in Liberia in 1977-78 was 250 naira a hectare, in the Ivory Coast it was N500 a hectare while in Nigeria it was N2,470 a hectare. One northern irrigation scheme cost a staggering N7,540 an hectare.

The committee stated that "because of the rapid increase in the volume of construction activity in recent years without a corresponding increase in capacity, there has been a tendency to invite tenders without sufficient preparation." It adds: "Even for a single contractor mobilised within the same area and during the same time period, there is evidence of wide ranges of prices for the same items in the bill of quantities for different projects."

There have also been problems because of the long time lag between tendering and awarding the contracts. "For most contracts in recent years, there has been a lag of between 12 and 18 months from the time of tender to the award of the contract. This state of affairs makes planning difficult for the contractors who . . . allow for such a contingency by an unusual increase in their unit rates."

The committee's report also admits that there have sometimes been long delays in payment for work "when funds are not immediately available. Sometimes certificates have remained unpaid for more than six months, leading to a liquidity crisis for the contractors concerned." This uncertainty is built into the contractors' costs, the committee says

The report accuses the expatriate companies which dominate the construction industry in Nigeria (although they all have 60 per cent Nigerian participation) of achieving a monopoly in one area of the country and suggests this may lead to collusion over contracts. The report says, the solution is to encourage "strong and virile indigenous building and civil engineering contractors."

The report points out that the shortage of some building materials adds to the cost. Nigeria produces only 5 per cent of total demand of sanitary ware and ceramic tiles, for instance, and in other cases the quality of the material produced is much lower than imported goods. The only way to force prices down would be to liberalise imports, it says.

The government has already set up a cost monitoring unit and it hopes to implement some of the other measures recommended in the report within the near future, especially those designed to favour the growth of a domestic construction industry.

**Report of the Ministerial Committee on the causes of the excessively high cost of government contracts in Nigeria: Price 45 kobos from The Federal government press, Apapa.*

Mark Webster

A daunting dream of Abuja

UNSEALED, dusty in the heat of the day, the rust-coloured roads cut through the green trees and bush of the savannah. Movement is constant: trucks and machinery with myriad corporate logos, waggons and cars. Work starts at dawn and finishes at dusk.

The biggest construction project in the world — as Nigerians see it — has started to come off the drawing board and on to the ground. The site is Abuja, Nigeria's new federal capital, nestled against granite hills, shadowed by the stern angles of Aso Hill.

Grandiose in concept and costly to execute, Abuja will account for N2.5bn between 1981 and 1985. It is a government priority, the objective being, in the careful phrasing of the National Development Plan "to provide an environment which is conducive to the efficient operation of the Federal Government."

That environment means shifting the focus of political power away from Lagos, deep in Yoruba country, on to neutral territory.

Abuja is part of the Federal Capital Territory which, defined in 1976, is not only more central geographically: it is also poised between the three main ethnic groups — the Yoruba of the south, the Ibos of the east and the Hausa of the north.

Theoretically, Abuja should become the seat of government by September next year. President Shagari is intent on moving in by then. There may be a place for him to live but it seems certain that he will find the support facilities rather limited, and he may be separated from the other two arms of government — the legislature and the judiciary.

In September, the Senate decided that the prospects of moving to Abuja by next year were "remote," although the House of Representatives seems determined to shift from Lagos.

President Shagari possibly could live in the presidential guesthouse being built by G. Cappa, the Italian group. Five months ago the guesthouse was a hole in the ground. By September, the contractors had reached the first floor and a wall around the property, reputed to cost N5m, was nearly complete.

But the contract for the construction of the National Assembly building is still under negotiation, with Taylor Woodrow and Bouygues the main contenders, while selection procedures for the builder of the Supreme Court and Executive Office buildings are less advanced.

Early meetings of legislators could be held in the conference hall planned as a part of the Sheraton Hotel, in an early stage of construction by Bredero, the Dutch contractor. A second hotel for Abuja, the Hyatt, is being built by Coutinho Caro of West Germany and that too is at an early stage. The National Assembly building itself could take at least two or three years to complete.

As a seat of government by the end of next year, Abuja will be largely symbolic. "The administration of the Federal Capital Territory could move in next year, and may be some government departments," noted one contractor. "But there's no way the major part of the government could be settled next year."

Certainly, the construction schedule would be daunting even under the most favourable conditions, but Abuja is in the middle of nowhere, so deeply in the middle that a main access road from Kaduna, a major town to the north, has had to be hastily constructed — by Dumez, the French group—and that is already showing signs of wear and tear.

So every basic facility has to be provided. Siemens of West Germany has run transmission power lines to the periphery of the town, but so far there is no distribution system. Spie Batignolles of France is taking a water pipeline to the town, but again there is no distribution system.

In fact, the water pipeline runs alongside a road which, when the planned road network has been completed, will be superfluous. But its planned route also cuts across areas destined for development. This hints at the problems of co-ordination on a venture of this size.

Under the present schedule, the National Assembly and six ministries should be operating by September 1983, with another 10 ministries in place by 1986. The population is planned to rise from 50,000 next year to 158,000 in 1986, 486,000 in 1990 and 1.6m in the year 2000.

All of this takes place on an undulating site, where trees are carefully being preserved and quarries are kept outside. It fans out over 250 sq km from Aso Hill with a rectangle, 5 km long and 2 km wide at the inner part of the fan for the central area where the most significant government and commercial buildings will be. So far there has been no building on this area.

The most obvious signs of activity are in an adjacent area, singled out for accelerated development. Here, Dumez is providing the basic facilities—roads, drainage, power and so on—while a clutch of Nigerian and foreign contractors are rushing up housing, a few units of which are finished. Names like Sisk of Ireland, Mia of Kaduna and SAE of France jostle together.

Nearby, Julius Berger of West Germany is undertaking the same infrastructural task as Dumez for the next phase of rapid housing development. Indeed, the Abuja site is split into two central parts and lettered areas running from "A" to "P," for which consultancy design work is being done prior to the grant of engineering and construction contracts.

Taylor Woodrow, the most striking British presence, is interested in an infrastructure contract in one of these areas, but so far the lion's share of the orders, worth more than N500m over the last three years, have gone to continental European contractors.

The undertaking by Mr John Stanley, the Minister for Housing, that the UK is prepared officially to support £300m of credits for Abuja indicated belated British determination to contest this dominance. And the offer was adroitly timed.

Although the Nigerian Government is determined to press ahead with Abuja despite the downturn in oil revenues and is assumed to have enough cash to meet existing commitments, it is now accepted that it will seek credits to finance new contracts.

There have been signs that the oil problem is causing progress payments to contractors to be delayed. Two signatures are needed on the cheques. The first is placed when the payment authorisation has wound its way through the bureaucracy. The second goes on when it is established there are funds in the bank to meet the cheque. That second signature is sometimes being more tardily applied.

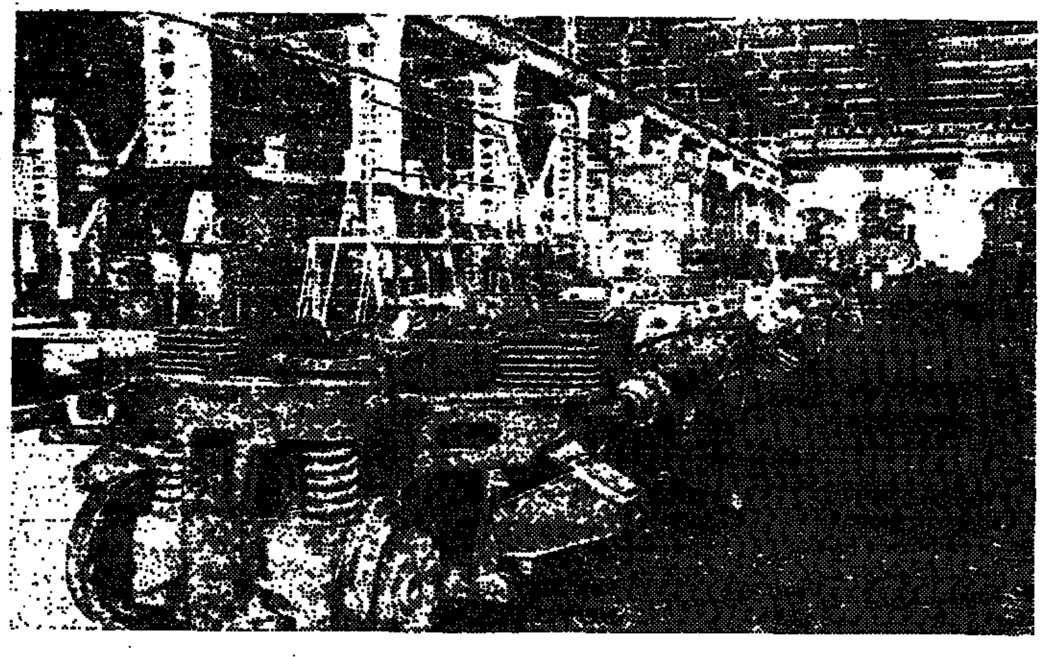
For the present, however, contractors are probably less worried about that than they are about the security situation and the fear that the disorder more commonly associated with Lagos is spreading to Abuja.

A gang robbery which led to the murder of a German man and an assault on a German woman has led to all the expatriate camps and offices being placed under armed police guard. It was an incident which, individual considerations aside, the Nigerian Government could ill afford.

While competition for Abuja contracts may be intense, the Nigerian Government still remains dependent on expatriate skills and techniques to bring its Abuja dream to life. Concern about personal safety could diminish the commercial attractions of selling those skills.

Paul Cheeseright

Steel industry undergoes a difficult birth



Nigeria Railways' workshops in Lagos: steel development will call for a big increase in rail capacity—and provide demand for new rolling stock

ON TWO sites, hundreds of miles apart, Nigeria's steel industry is being born. In a remote part of Kwara state, on the banks of the River Niger, the foundations are being laid for the Ajaokuta blast furnace. Away in Bendel state, near the bustling oil town of Warri, the finishing touches are being put to the direct reduction plant of Aladja.

The establishment of Nigeria's iron and steel industry is proving one of the most costly and hotly-contested aspects of its industrial development programme. The plans have been criticised for being too expensive, for establishing both direct reduction and blast furnace techniques at the same time, for inadequate integration with locally available raw materials and, in the case of Ajaokuta, for long delays in getting the project under way.

The Steel Development Authority in the Office of the President answers the critics by saying that a steel industry is an essential prerequisite for future industrial development. President Shehu Shagari, on a visit to the Ajaokuta site, called steel "an indispensable tool for economic self-reliance," and the Fourth National Development Plan guidelines state: "The extension of manufacturing activities . . . largely rests on the realisation of the steel projects."

Although the former military government committed the country to the two steel complexes, as well as three rolling mills in other parts of the country, President Shagari has stated his "unshakeable belief" in the project. During his tour of Ajaokuta he said: "I shall spare no effort during my tenure of office in superintending the speedy execution of this important national project . . . it is a matter of concern to me and my Administration that 20 years since the idea was conceived, no substantial headway has been made."

The less troublesome of the two projects has been the N1bn direct reduction plant being built by a German-Austrian consortium near Warri. The plant should be commissioned on schedule by the end of 1982 and dry-runs on the equipment are now taking place. It will have capacity to produce 960,000 tonnes of steel a year, of which 320,000 tonnes will be made into finished products on site and the remainder will be transferred by barge, rail and road as billets to the rolling mills.

The site was chosen because of the plentiful natural gas supplies nearby, the availability of water for the complex and the port facilities. All the iron ore for the Aladja complex will have to be imported for the foreseeable future because the iron ore from Nigeria's own Itakpe mine is not of high enough quality. The bulk of the ore will come from Guinea-Conakry (1m tonnes a year) with the remainder coming from Liberia and Brazil.

The Indian consultants working on the plant, Metallurgical and Engineering Consultants (MECON), had advised the military government to expand the direct reduction plant to a capacity of 2.5m tonnes a year in preference to the Ajaokuta blast furnace. Although the government decided to press ahead with both projects, the Aladja plant could still be expanded considerably in the future if funds are available. The foundations have been laid to accommodate any expansion.

There has been a great deal more delay over the giant Ajaokuta complex being built by the Russian Tiajpromexport company. The first feasibility study was produced in 1958 and the site was chosen in 1974, but the contract was only signed with the Russians in 1979. There was then confusion over whether the contract included the civil engineering works and further delays when the Russians produced none of the plans in English.

The Government awarded N800m worth of civil engineering contracts last year for the foundations with the bulk of the work going to Julius Berger, Fougerolle and Dumez. Wimpey has won a small contract for building the training school. Work is now going ahead fast on the foundations, the infrastructure and the port, according to the Nigerians, and 300 Russians are already in Nigeria, to be followed by a further 5,700 when the major works get under way.

The Russian plant was described by one Western expert as "good solid stuff" and the specifications demanded for the foundations have shown that the Russians intend building a very substantial structure. But the Nigerians reject any suggestion that they are being sold outdated technology and stress that the blast furnace method was chosen because it could use the poor quality iron ore deposits at Itakpe and the country's own coal—although that will have to be supplemented with imported coking coal of higher grade.

In May this year, Mecon were brought in as consultants along with the Indian based Pan-African Consultancy to smooth over the friction which had been causing concern over the project. But even with their help, it is unlikely that Ajaokuta can keep to its schedule of using imported steel billets in the rolling mill by 1983 and having the first blast furnace functioning by 1985.

When it does start producing, few people now doubt that it will be turning out some of the world's most expensive steel. The total cost of the project including infrastructure is likely to exceed N5bn and its initial production will only be 1.3m tonnes a year although it can then be expanded to 2.6m and eventually to 5.2m if it proves economically attractive.

Current demand for crude steel in Nigeria is around 3m tonnes a year, of which 55 per cent is for the "long" steel products which both steel complexes will produce, and 45 per cent for "flat" products. The guidelines to the development plan point out that although government remains committed to extending one or other of the complexes to produce "flats" the cost will be N2.35bn and it will therefore have to wait for the time being.

Even if both plants are fully extended, Nigeria is still certain to be a net importer of steel and steel products, since consumption is expected to rise to some 6m tonnes by 1990. But much depends on how successful the Government is in encouraging the establishment of intermediate industries, particularly in engineering, which will use local steel.

In the meantime, at least a proportion of the steel from Aladja will go to the rolling mills in Oshogbo, Oyo state, and Jos, Plateau state, where they will be made into rods and bars. The third rolling mill in the far north at Katsina, Kaduna state, has had to be completely redesigned at considerable cost because of the immense problems transporting billets from the steel complexes. It will now become a full mini-steel complex capable of transforming scrap metal, if enough is available.

Cross River state has also announced that it will be building its own rolling mill in Eket local government area at a cost of N32m. If the funds can be raised, the mill wil be built with help from the Italian company Danielli and Butrio and part of the finance is from Italian banks. But the project does not apparently have Federal Government backing for a loan.

Mark Webster

Brewers press to meet demand

THE NIGERIAN brewing industry is running to try to catch up with fast-growing demand. There is at least one brewery in 14 of the 19 states and newcomers are setting up while established companies are expanding as rapidly as they can. Although brewing faces problems similar to the rest of Nigerian industry—power cuts, water shortages and poor communications—it has a bright future.

Since 1970, domestic beer production has increased from just over 1m hectolitres a year to 7.6m hectolitres in mid-1981. The industry plans a N600m investment programme over the next three years which will take installed capacity to 9.5m hectolitres, nearly closing the gap between production and demand.

Investment in the brewing industry was helped considerably by the Federal Government's decision to ban beer imports in 1977 and unlike many other industries it has not been hit by the wave of smuggling. Only 2 to 3 per cent of total beer consumption is accounted for by smuggling, largely because of the low return on such a bulk item but also because there is real brand loyalty among Nigerians for local beers.

But while brewers have been able to cope with infrastructural shortcomings by installing stand-by generators and digging boreholes for their water, they have been affected by the erratic price increases which the Government has allowed. The two biggest breweries — Nigerian Breweries and Guinness—have had mixed fortunes during the past five years as profit margins have been squeezed by rising overheads and the Government's reluctance to increase factory gate prices regularly.

Nonetheless, the breweries accept that they are in a far more fortunate position than many other industrial concerns in Nigeria. Nigerian Breweries is the biggest in the field with 26 per cent of the beer market for its Star and Gulder brands. It is 60 per cent Nigerian while the main foreign shareholders are UAC's international arm CWA Holdings and the Heineken brewing company, which also provides the technical expertise.

Mr Trevor Davies, managing director of Nigerian Breweries, said the company showed pre-tax profits of N40m on a turnover of N174m last year and was anticipating "steady growth" for the future. It is building Nigeria's biggest brewery with a capacity of 1.1m hectolitres a year at Ibadan at a cost of N70m. Nigerian Breweries has also launched Nigeria's first bottled shandy, Green Sands, this year.

Guinness is the second biggest beer producer and Guinness UK is the largest foreign shareholder. The company is investing N58m on an extension of its Ikeja brewery for Harp lager and over the next 10 years plans to build another brewery in the East and one in the North. In 1980, Guinness declared pre-tax profits of N21m on a turnover of just under N152m. Although figures are not yet published turnover for 1980-81 is expected to be up to N180m.

While profitability is so good, the breweries have little grounds for complaint. But they make out a strong case for giving smaller but more regular increases in the factory gate price. They have had to wait as long as two and a half years between price increases which has undermined their efforts at long-term investment.

The breweries also remind government regularity that they have their fair share of additional costs because of local problems. Thus in the Guinness 1980 annual report, Alhaji S.O. Gbadamosi, the outgoing chairman, commented: "The brewery was flooded with increasing severity and increasing frequency throughout the long rainy season. We regret that there is no sign of any move by the authorities to improve drainage in the area."

Despite the problems, the growth of the brewing industry has attracted a number of the big names into the market. Kronenbourg has an interest in two new breweries and Skol in another. Whitbread has an interest in one new brewery and its Mackeson stout is being produced by West African breweries. But the demand is apparently non-existent for British style darker beers.

The high revenue potential has also made brewing a popular target for government both at the state and federal level. The states have invested heavily in brewing and six of them now have their own breweries. At the federal level, excise duty on beer is a major source of non-oil revenue.

The excise duty on beer provided the Federal Government with N90m in revenue for 1980 and the 1981 budget estimates revenues of N125m. The brewers play a major role as tax collector. Given their efficiency as a low cost tax gatherer it is almost certain that the excise duty will be increased in the next budget. However, since the last increase in excise duty had no discernible impact on the retail price—mainly because the traders' margins were already so high—there is little fear that an increase in excise duty will affect consumption.

Mark Webster

Distribution the way to quick riches

THE UNTAXED profits of the distributors of beer are roughly three times the taxed profits of the brewers, according to one industry expert. All the big brewers are deluged with letters from the humble market mammy to some of the best-known names in the land asking if they, or their wives, can become distributors for their brand: it is one of the quickest ways to get rich.

On a rough estimate, a bottle of beer leaves the brewery at an official price of just over 56 kobos. The big brewers will deliver the beer to the distributors' premises free of charge. Officially, the distributor is allowed a margin of more than four kobos a bottle, which takes the price to the retailer to around 60 kobos a bottle, and distributors sign a contract with the brewers that they will not charge more.

In fact, it is generally assumed that the distributor sells his case of 12 bottles at N10 to N12. On the basis that he takes 500 to 1,000 cases a week and his only overhead is his warehouse, the appeal of being a distributor is obvious. But it makes a nonsense of the officially published retail selling price of 68 kobos a bottle.

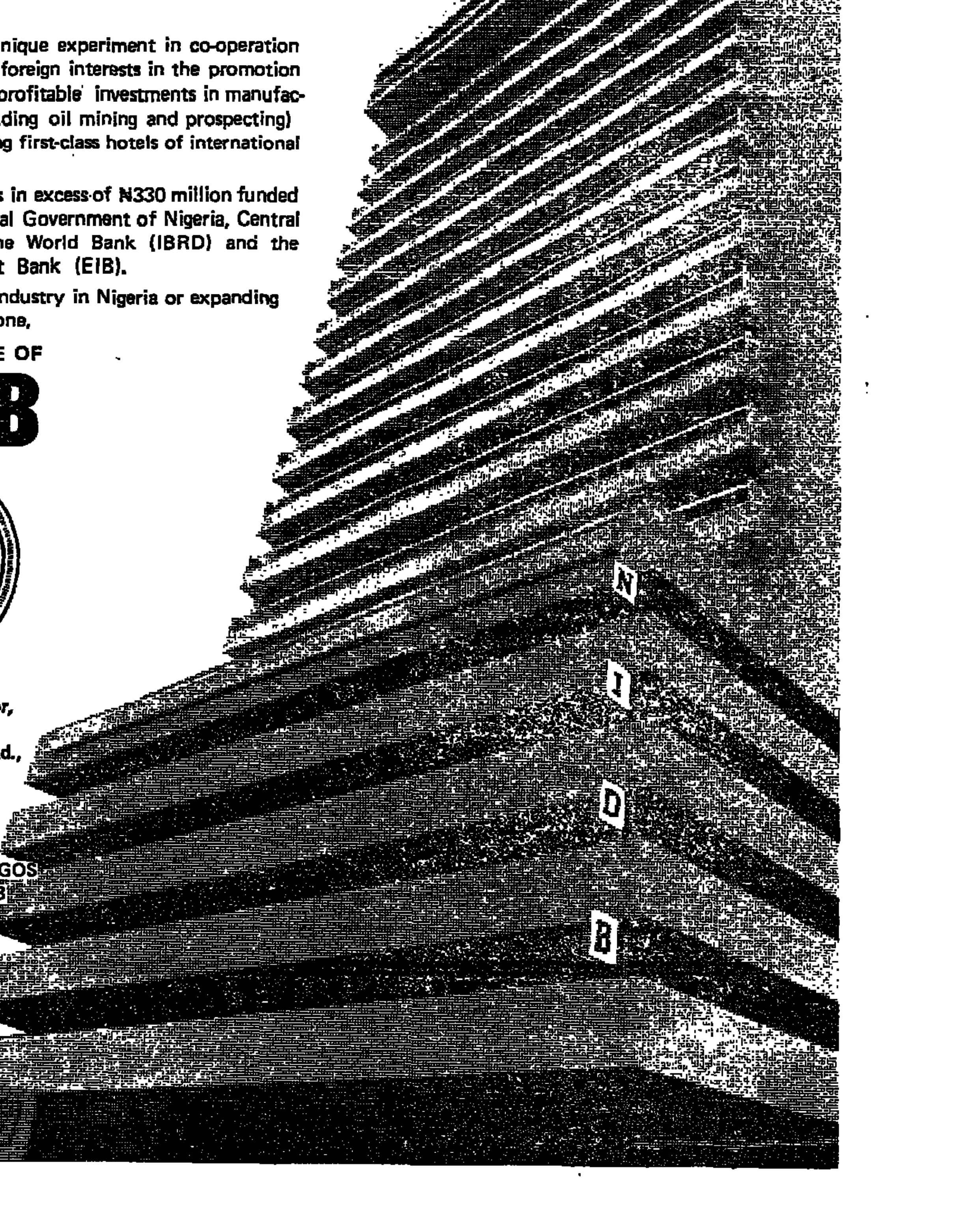
However, the little retailer with his five or 10 cases a week is not complaining because he can put beer on his shelves at anything from N1.20 to N1.50 a bottle, depending on his location and the brand for sale. Star, Gulder and Harp all command a premium throughout the country.

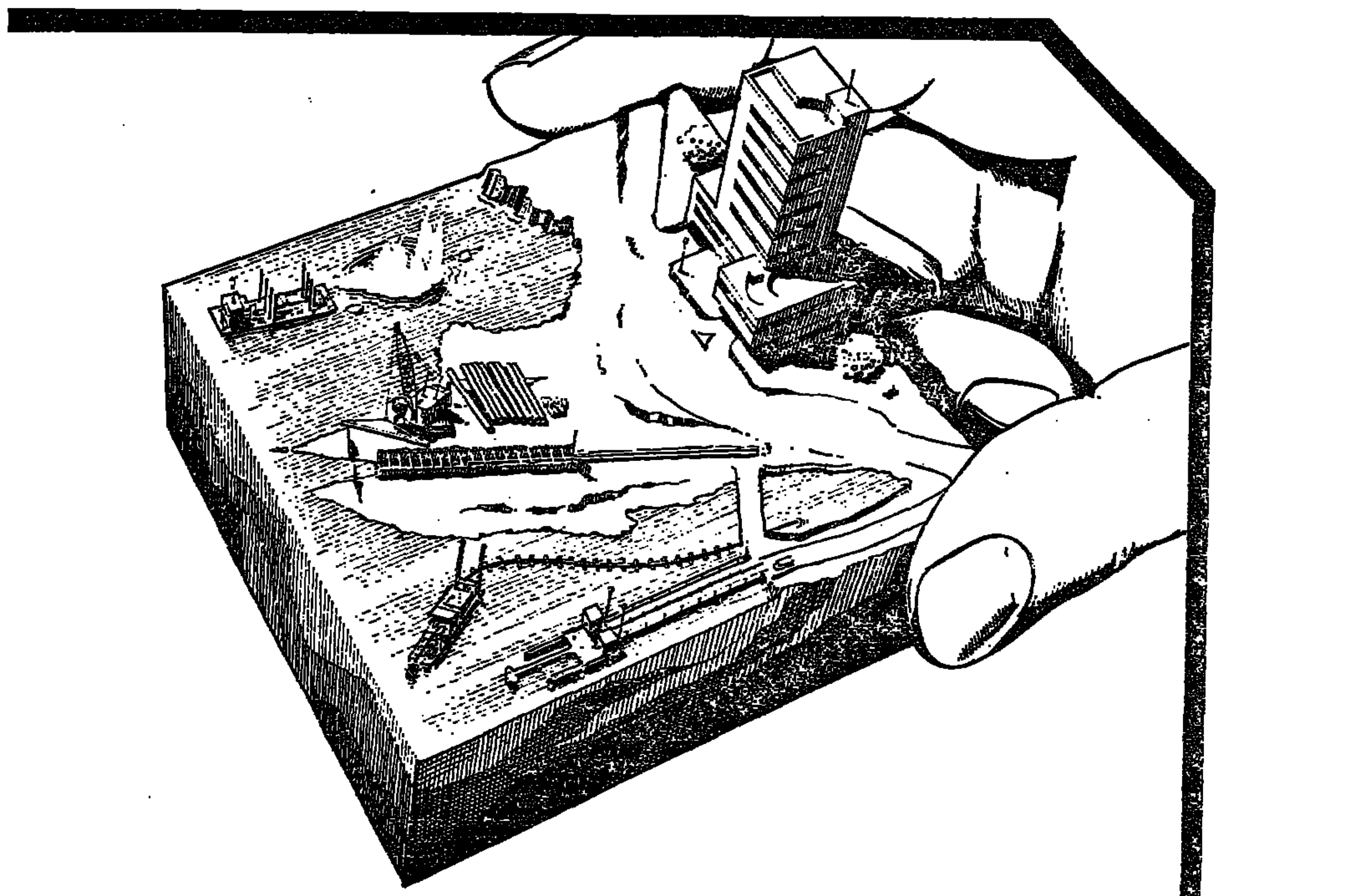
The big breweries have taken care to spread their products nationwide in anticipation of the market opening up throughout Nigeria. But even though Nigerian Breweries, for instance, is prepared to take its beer to distant Maiduguri at no extra cost to the distributor, funny things happen once the beer has been delivered.

The widespread shortage of beer and the loyalty to certain brands means that small traders will travel hundreds of miles to bring the beer back to where the market will pay for it. One trader drove from Kaduna in the north to Onitsha market in the east to buy a popular brand which, according to the brewer, should not have been there in the first place.

The breweries cannot go into distribution themselves, even if they wanted to, because trading has to be 100 per cent Nigerian owned under the terms of the indigenisation acts. "Free supply is the only way to bring prices down to more reasonable levels," said one brewer. "And that's what everyone in the industry wants"—except, of course, the traders.

Mark Webster





Mark Webster finds that smugglers may be taking 60% of the market

Cheaper smuggled goods are crippling textiles

IN THE WAREHOUSE of Nigerian Textile Mills' Ikeja warehouse, bales of cloth are piled high waiting for a buyer. The mill has 2.6m metres of cloth in store—more than two and a half months of the plant's drastically reduced productions. In the past two years, the country's primary industry has run into serious difficulties with *three textile mills closing* and others laying off workers.

Ironically, the textile industry is just the sort of enterprise which the government is anxious to promote. It uses local raw materials and is labour intensive, employing about 100,000 workers *directly and supplying* work for many others. But the sector has been hit by soaring personnel costs, an increasing reliance on imported raw materials and above all smuggling.

Textiles are flooding into the country *from South Korea*, Britain, Ivory Coast and Cameroon among others. The Manufacturers Association of Nigeria estimates that smugglers account for about 60 per cent of the annual market of 200m metres of cloth. In some cases, the *Nigerian consumer simply* buys the smuggled goods because they are cheaper. But in the case of Ivorian and British textiles, the prices can be twice the Nigerian level and simply shows a preference for imported goods, manufacturers say.

At Nigerian Textile Mills, Chief B. O. Olaiya, the commercial manager, said: "Smuggling has been our major cross over the past two years. But the government says it is embarking on an anti-smuggling campaign and if the markets are raided continuously, then the industry will survive."

Recent raids by Customs officers in Kaduna showed the near impossibility of policing a market which is as widespread and resilient as the trade in cloth. Storeholders complained that no distinction was made between locally made and foreign textiles, and they preferred to stay away from the market for a while until the Customs men gave up their policy.

Nigerian Textile Mills is typical of how some of the older, less efficient mills are suffering during the present crisis. One of the biggest in the country, it is running at only 60 per cent of its 35m metres capacity a year and has laid off 700 of its 2,800 workforce. The rest of the employees face short-time working.

During the 1980 financial year the company showed an operating loss of more than N800,000 (about £650,000) on a turnover of N17.3m and the future looks even bleaker. Prof Saburi Biobaku, the chairman, said at the last annual meeting: "I am mindful of the long history of the company's inability to generate profit and declare dividends."

Ashley Ashwood

Lengths of material on sale in a Lagos street. Nigeria's textiles industry is in serious difficulties because of soaring costs and reliance on imports

Yet only two years ago the World Bank's International Finance Corporation agreed to *back a N18m expansion* and modernisation plan for the mill which first became operational in 1962. The project had the backing of the main shareholders — Chase International Investment Corporation, the state government, Texilconsult, the technical partner, and the Nigerian Industrial Development Bank. In that short time the company's fortunes have collapsed.

Even at the tightly run and more profitable Arewa Textiles in Kaduna, Alhaji Mohammed *Imam Yahaya, the chairman*, told last month's annual meeting: "The future of the textile industry in Nigeria is still bleak when one considers the stiff competition from smuggled goods that have flooded the market."

With little hope that the government's attempts at cracking down on smuggling will really save the industry, textile manufacturers are demanding abolition of the 10 per cent excise duty on finished goods, abolition of the 5 per cent import *duty on raw materials* imported under the approved users' scheme, abolition of the 10 per cent duty on imported machinery and spare parts, and special loans at low interest rates.

As one despairing manufacturer put it: "If the government can't protect the industry from smugglers, then it can at least help us to be more competitive."

Arewa finds the secret of success

THE WORKERS from the Arewa Textile mill marched proudly round a Kaduna playing field as the darkness fell, holding burning torches high and singing the company song. When the darkness was complete, the torchbearers set light to bonfires symbolising the end of the old, bad labour practices and the start of a new future for the company.

The evening's entertainment was the brainchild of Mr Shuzo Ishii, the managing director of Arewa Textiles in Kaduna and a great believer in the application of Japanese corporate thinking in Nigeria. With his almost permanent smile he looks like a genial Buddha and says modestly that last year production was up 23 per cent while the labour force was slimmed 10 per cent through natural wastage.

In the hard-pressed textile industry, Arewa's success story is all the more remarkable. Although the company has had Japanese management since it started 18 years ago, Mr Ishii's management techniques have helped turnover pick up from a low of N21.9m in 1979 to N42.8m in 1981. Profits have shown a steady improvement reaching N2.5m during the last financial year.

"I tell everyone here we sail in the same boat but we are never sunk," said Mr Ishii with a burst of gleeful laughter. He has started a scheme known as "training within industry" at the works which is based on the American system introduced to help rebuild devastated post-war Japan.

Under the training programme, workers are given instruction on how to use all the machines within the factory along with some general background on the industry.

Although much increased productivity has helped the company survive while others have been forced to close, Mr Ishii also believes that making quality products has helped enormously. The company has technical backing from Overseas Spinning Investment, a consortium of the big Japanese spinners, who are the major foreign shareholder and a new rotary screen printing machine has just been installed.

"Our customers are not the kings of Nigeria but the queens—the ladies, and we must know the customers needs and wants," said Mr Ishii, a former marketing man in Tokyo. To do so he visits the Paris fashions, waits three *months for the colours* to reach Ivory Coast—a big centre for smuggled goods—and then in another three months launches the same colours himself, just when the smuggled goods from Ivory Coast should be arriving.

"Everyone in the same boat," he said with a smile and set off for a tour of the factory.

Mark Webster

PROFILE: PEUGEOT NIGERIA

Bare profit on £460m turnover

PEUGEOT holds a number of records in Nigeria. It's the most common saloon car, it has the biggest assembly plant in the country at Kaduna and, according to Peugeot Nigeria's management, it is one of the least profitable, with a return describe as marginal on a turnover expected to reach 535m Naira (about £460m) this year.

The local assembly operation, which began production in 1975, has *never* been very profitable, according to its French management. The price of the ubiquitous Peugeot 504 is strictly controlled by the federal government, particularly because nearly a quarter of the plant's annual output of nearly 50,000 is bought by the public sector.

But a company which has never been able to meet demand and which is contemplating a sizeable investment must see better times ahead. In addition, the export of thousands of completely knocked-down (CKD) kits from its French factories remains a highly profitable venture for Peugeot France, which has a 40 per cent stake in the Nigerian operation.

Nor are the other main shareholders particularly worried about the poor return. The federal government which holds 35 per cent and the Kaduna state government with 10 per cent both recognise that the Peugeot plant is a key employer, with 4,600 working at the plant. It also represents an important *step in industrialisation.*

Peugeot is one of a number of progressive manufacturers which have set up since 1975 on the understanding that they would gradually increase the local content over a specified period, usually ten years. Peugeot and West Germany's Volkswagen are the two car manufacturers, while commercial vehicles are being produced by Britain's Leyland Vehicles, Fiat of Italy, and the German group Mercedes and Steyr Daimler Puch of Austria. Ford of the U.S. is to supply 2,000 kits a year to Steyr for assembly.

"Nigeria wants to develop its industry but has little industrial experience. There are many people in this country who see the process of industrialisation *through the automobile industry*, and we feel we can play a vital role not only as a supplier, but as an instructor," said M Jean Francois Mariot, Peugeot's general manager, finance and administration. Of the car's selling price, 52 per cent, is accounted for by the CKD kits from France while a further 20 per cent is local manufacture of parts such as windscreen wipers, radiators and seats. The company hopes to increase this to 27 per cent by the end of 1982 by encouraging other Nigerian manufacturers to set up components industries.

Then the company must decide whether to make a major investment in a pressing factory, which would produce the panels from which the cars are made and increase considerably the *local value added*. To some extent, the investment will depend on whether Peugeot sets up a second plant to assemble light commercial vehicles at Gusau.

Peugeot has overcome its transfer to importing the kits *by sea and railway instead of* air freight. Since the factory had started operation, all the kits came by air freight from France in a Boeing 747 belonging to the French company UTA. But in 1979, the then military government ordered the company to bring *the kits* in through the ports, which at the time were under-utilised.

The factory now has to keep eight weeks' stocks of spare parts (four in transit and four at the factory) compared to only three weeks when they were brought by air. It has had to invest N4m in a container terminal at Kaduna and a further N4m in a giant warehouse for the extra stocks.

To meet an estimated local demand for 135,000 passenger cars a year, the Government announced its intention to issue import licences for 50,000 cars this year, including a licence to Peugeot for 16,000 cars. But the licences have not all been given out and demand for the Peugeot 504 is still so high that distributors can comfortably charge *N1,000 above the average retail price* of more than N7,000.

Volkswagen, whose production of passenger cars went down from more than 25,000 in 1978 to under 20,000 in 1979 when demand was slack, has seen sales improving with the reinstitution of basic car loans by the federal government this year. However, sales of its commercial vehicles declined in 1980 for the third year running.

Peugeot, which is so well installed in Nigeria that its market appears unassailable, has set itself a three-point expansion plan: to increase capacity utilisation in the existing plant to the maximum; to increase the local content by encouraging Nigerian manufacturers and through its own investment; and to look at the possibility of a light commercial vehicle plant.

Mark Webster

SALES OF CARS AND LIGHT COMMERCIAL VEHICLES IN NIGERIA 1975-80

	1975	1976	1977	1978	1979	1980
PEUGEOT						
Cars	20,814	24,423	37,193	24,961	34,931	51,140
LCVs	7,333	11,460	18,486	15,205	12,094	14,574
Total	28,146	35,883	55,679	40,166	47,025	65,714
VW						
Cars	9,060	17,224	24,307	25,457	19,143	20,861
LCVs	5,675	11,533	12,276	11,284	8,532	6,678
Total	14,735	28,757	36,583	36,741	27,675	27,539
DATSUN						
Cars	13,530	10,575	10,768	7,036	3,244	2,252
LCVs	1,845	4,702	9,057	9,293	7,666	30,644
Total	15,375	15,277	19,825	16,329	10,910	32,896
TOYOTA						
Cars	7,309	6,599	3,617	1,123	1,417	311
LCVs	3,741	8,435	15,146	13,053	16,847	23,380
Total	11,050	15,034	18,763	14,175	18,764	23,691
Nigeria total	107,584	141,844	184,892	148,461	122,536	170,984

Source: Car manufacturers and importers.

RUSH TO CATCH THE MINIBUS MARKET

ONE OF the fastest *growing* areas of demand in Nigeria is for mini-buses. The Japanese manufacturers who lost out badly when the military government introduced a ban on car imports in 1978 have wasted no time in securing a hold in the mini-bus market.

While Datsun's sales of cars fell from 13,530 in 1975 to 2,252 in 1980, its sales of commercial vehicles including mini-buses rose from 7,845 in 1975 to 30,644 in 1980. Between them, Datsun and Toyota have some 48 per cent of the commercial vehicle market and 93 per cent of the mini-bus market.

But the Nigerian Government is anxious to get more assembly plants going in the country and has given five companies *the* go-ahead to establish industries. The question the companies are facing is whether it is worth all of them setting up in Nigeria when demand is only *estimated at 160,000* a year by 1990. Two are already said to have expressed their doubts.

The companies which have been invited are: Mitsubishi, Toyo Kogyo, Isuzu, and Nissan, all from Japan, and Peugeot of France. A further consideration for the companies is that the federal policy of dispersal of industries means they will have to set up in some fairly remote parts of the country.

M W

Agriculture's revival a top priority

EARLIER THIS year Prof Emmanuel Edozien, special adviser to President Shagari on economic affairs, cited some impressive statistics to illustrate government commitment to "revitalising the agricultural sector."

In 1978-79, only 6 per cent of government's capital programme was earmarked for the sector, rising to 7.2 per cent in 1979-80. It rose substantially to 11.3 per cent in 1980, and in the 1981 budget, 1.62bn naira (about £1.3bn) — 12.7 per cent of the capital programme — was allocated.

There is no doubt that rehabilitation of agriculture, which provides a living for 70 per cent of Nigeria's population, is the priority for a government determined to revive export crops and reduce food imports running at more than N1bn a year.

Two programmes in the past — Operation Feed the Nation, and the National Accelerated Food Production Programme — made little impact, and in April, 1980, President Shagari launched yet another attempt: the "green revolution," a carefully researched appraisal, drawn up with the help of World Bank experts, of the shortcomings in the sector and proposals for rehabilitation.

The statistics cited by Prof Edozein are certainly an illustration of government commitment, but the underlying practical problems are considerable. Eighteen months later it is too early to assess the success of the "green revolution" or the impact of increasing spending in the sector. But the state of agriculture in 1980 illustrates the difficulties which have to be overcome.

As the central bank report for the year notes, federal and state governments continued with their programme on irrigation, bush clearing and the supply of subsidised inputs to farmers. "However, despite these efforts the agricultural sector performed below expectation during the year."

Staple-crops production rose a mere 0.3 per cent while other crops (tree crops, vegetable oil, oil seeds and industrial crops) were up 1.8 per cent — the poor performance in part caused by bad weather and a high incidence of disease.

At 409,000 tonnes, the volume of commodity board purchases of some crops (cocoa, seed, palm kernels, and rubber) was 28 per cent lower in 1980 than in 1979. Loans guaranteed by the central bank under the agricultural credit guarantee scheme were nearly 15 per cent down in number and 9 per cent less in value than the preceding year.

The figures illustrate the generally poor record of credit in the sector. Commercial banks are required to set aside 8 per cent (raised from 6 per cent) of their total loans for agricultural projects. Such loans receive a 75 per cent guarantee under the scheme but they remain unattractive to the banks, which are required to deposit the difference between loans in this category that they actually make and the 8 per cent target.

The problems of adequate security and the time-consuming process of evaluating projects make it an unprofitable venture. Many banks regard money held (without interest) at the central bank preferable to the effort and risk of fulfilling the quota.

The bank graphically illustrates some of the problems faced by the nine river basin authorities. Although they have made "modest progress, their operations have been constrained by several problems relating to land acquisition, finance and manpower.

"Problems of land relate to the perennial issues of acquisition and compensation which have been complicated by the land use decree" (which attempts to regulate land tenure), the bank says.

"In addition, the flow of funds to the projects falls far below the requirements, mainly because of the large numbers of authorities involved and the bureaucratic procedures for the funds. Above all, the authorities have found it difficult to obtain adequate supply of skilled technicians to operate and maintain sophisticated irrigation equipment."

If these are some of the problems at an institutional level, the difficulties for small farmers, who dominate production and work on holdings of usually less than three hectares, are equally demanding.

One recent report listed seven obstacles to increased production:

- The drift of able-bodied men from the countryside to the towns which, together with the spread of primary education, has created a labour shortage in some areas;
- inadequate extension services;
- erratic supply of inputs such as fertilisers and pesticides;
- inappropriate research support;
- poor rural infrastructure, notably feeder or access roads;
- low level of investment in agriculture over the past decade;
- the relatively low priority accorded to agriculture by the Government in the implementation of programmes. In the Third National Development Plan, only 8 per cent of capital expenditure was set aside but spending fell below this.

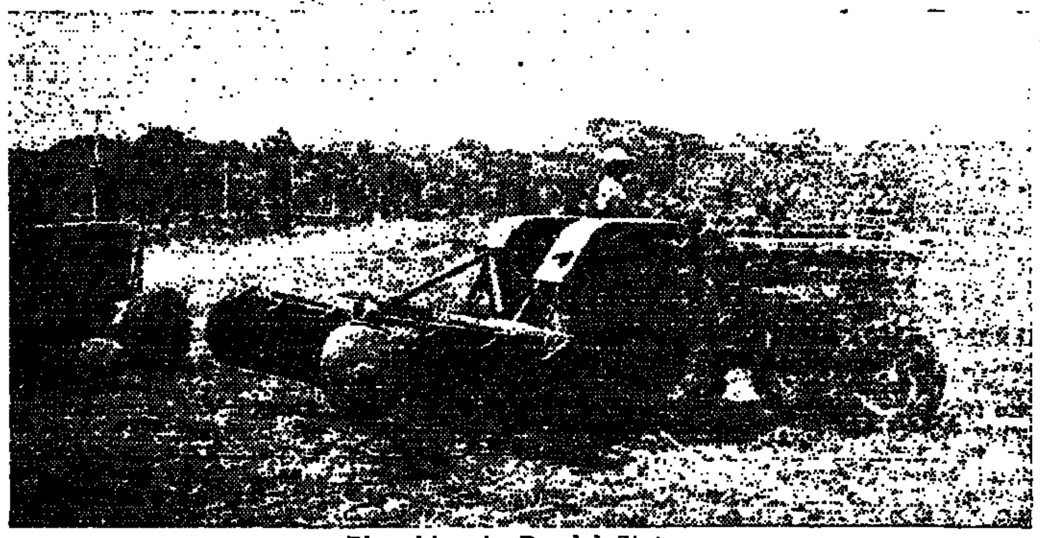
Unlike many African countries, the report points out that prices of agricultural products have not been kept artificially low. "The prices of most food grains and palm oil and groundnuts in fact rose steeply until about 1979," and in most cases they also rose relative to the cost of living index. "The prices of actively traded commodities—rice, maize, palm oil, groundnuts—have stayed substantially above international prices."

Nevertheless, work on the land remained unattractive. The main reason "must be the state of present technology employed in agriculture, under which farming remains an arduous and low productivity sector, imposing severe limits on extensive farming."

Use of animal draught power is very limited. The national average use of fertilisers is about 1.5kg compared to a recommended use of 18kg, and thus productivity and yields are low.

"A key element over the next few years is whether life on the land can be made more attractive," one official said.

"This means better social services to help stop the drift to towns, and making work on the land less arduous—providing better tools with mechanisation where possible, and raising production through greater use of fertiliser and better techniques."



Ploughing in Bendel State

Underpinning the Government's hopes to resolve these problems are the integrated agricultural development projects (ADP) and accelerated development area (ADA) programmes. Between them, they will cost N2.3bn over the development plan period, of which the federal Government will contribute a fifth and the balance will be met by the participating state Governments and from World Bank loans.

The ADP's are designed to bring services from water, fertiliser and tools to extension advice and better roads within reach of smallholders. By 1980 there were seven ADP's in operation in Kaduna, Sojoto, Bauchi, Benue, Plateau, Niger and Kwara states, serving more than 630,000 farming families, and studies are under way for similar programmes in other states.

But an ADP takes a long time to plan and implement, and the Government is anxious to speed up the pace of rural development. Hence an intermediate scheme has been introduced, the ADA, in which there is a basic package of feeder roads, supply centres and technical advice.

Officials in the agricultural sector argue that the first priority is to introduce feasible technology, which must be introduced to the farmers through well-trained extension workers. "But you need a good infrastructure," stresses a programme official.

"If there are poor roads, the extension workers have a problem getting to the farmers, who in turn have difficulty bringing in fertiliser or pesticide. And when they harvest their crops, it's hard to get them to market."

A senior Government official makes the same point about infrastructural investment, admitting that it will take two or three years before results really show. "You must remember that most farmers are conservative, and they take time to consider advice and new techniques," he said.

Michael Holman

Development Plan's ambitious projects

SELF-SUFFICIENCY in food in about five years is the main—and probably unrealistic—Government target for the agricultural sector under the development plan for 1981-85.

The plan itself acknowledges the enormity of the task. The current growth rate of overall food demand is 3.5 per cent a year against an increase in annual production of 1 per cent, forcing the country to import about 2.6m tons of grain equivalent to make up the deficit. If the rates remained the same, the deficit would reach 5.5m tons by 1985.

If the gap is to be closed, crop production must grow at 6.5 per cent a year compared to the current growth rate of about 1 per cent. The plan sets a target rate of 4 per cent, and even this is acknowledged to be "very ambitious in view of the constraints of manpower, finance, organisation and rural infrastructure."

About 13 per cent of the N82bn (nearly £70bn) total plan expenditure will go into agriculture. President Shagari, introducing the plan, said the emphasis would be on "direct assistance to small farmers in the form of extension services, improved seeds, fertilisers, credits, tractors and implements, grain stores and land clearance," as well as improved feeder roads and the provision of irrigation facilities.

AGRICULTURAL EXPORTS
(N millions, '000 tons)

	1973	1974	1975	1976	1977	1978	1979	1980†
Cocoa:								
Value	112.4	159.0	181.0	218.9	311.1	377.9	432.2	311.8
Volume	213.9	194.0	174.7	218.9	167.5	191.7	217.8	157.1
Palm kernels:								
Value	18.3	43.7	18.5	27.0	32.6	12.7	11.8	11.5
Volume	137.5	185.6	171.4	272.0	186.0	56.8	50.9	49.6
Rubber (natural):								
Value	19.4	33.2	13.2	14.4	11.1	12.6	13.0	11.8
Volume	49.4	61.3	60.9	34.0	27.7	30.9	34.2	31.0
Groundnuts:								
Value	45.5	6.8	—	0.2	—	—	—	—
Volume	198.7	30.3	—	1.6	—	—	—	—
Cocoa butter:								
Value	15.0	21.0	20.4	14.5	38.5	17.6	20.8	19.8
Volume	11.1	11.1	9.3	5.9	7.7	4.2	5.0	4.8

— Nil. † Provisitonal.
Source: Central Bank of Nigeria.

Integrated rural development—the provision of feeder roads, water supplies, storage facilities alongside crop and livestock programmes—will remain the basis of strategy.

Seven state governments — Kaduna, Sokoto, Bauchi, Benue, Plateau, Kwara and Niger—already have agricultural development projects (ADP) funded by the federal government and the World Bank. Although all 19 states will eventually have ADP's an intermediate programme of accelerated development areas (ADA) will be implemented.

This provides the "core elements" of ADPs such as improved extension services, rural feeder roads and better distribution of inputs such as fertilisers in a simplified package which can be upgraded to full ADP status, the plan says.

The N2.34bn ADP-ADA programme will be implemented by the federal, state and local governments, with the federal government contributing N423m.

Apart from food self-sufficiency, the other objectives are increased production of livestock and fish, a seven-year target for the revival of export crops, the expansion of rural employment and an administration capable of providing the wide range of services needed. Government policies will be directed mainly towards increasing the output of smallholders, who account for more than 90 per cent of production.

The main features of agricultural policy are:

- Private business will be encouraged to set up large-scale farms, and agricultural production and processing has been transferred from Schedule II to Schedule III of the Enterprises Promotion Act, allowing foreigners to hold up to 60 per cent of the equity.
- The Agricultural and Co-operative Bank's lending fund will be increased by the federal government, and the agricultural credit guarantee scheme will continue. The government will attempt to ensure that credit reaches small-scale farmers.
- The Government will continue to subsidise fertilisers, pesticides, seeds and credit.
- The ratio of extension workers to farmers is put at 1:2,500 compared with 1:250 in Kenya. The aim is to reduce the Nigerian ratio to 1:800 by training extension workers in agricultural schools and on the job.
- The Federal Department of Co-operatives will help in forming new co-ops and a National Agricultural Co-operative Management Centre will provide training courses.

Apart from the ADP and ADA schemes, there are eight major programmes.

- A total federal government allocation of N3,000m is set aside for crop production. Projects include rice, groundnuts, and soya bean schemes, and the rehabilitation of tree crops—rubber and oil palm—as well as cocoa.
- The federal government will buy tractors worth N79m for resale to farmers at subsidised prices. More than 280 agro-service centres will provide seeds, fertiliser and pesticides. The government will subsidise the mechanical clearance of 250,000 hectares of farmland.

The state governments will carry out their own programme, which will include mechanical equipment hiring centres, agro-service centres and mechanical workshops. About 257,000 hectares will be cleared in nine selected states: Oyo state plans to cultivate 57,000 hectares mechanically; and in Borno state 13 farm service centres and 225 satellite farm centres are expected to put 750,000 hectares under cultivation.

- N100m is set aside for improved grain processing and storage facilities.
- Of the N972m set aside by the federal government, N470m will be spent on 3.13m tonnes of fertiliser which will be sold at subsidised rates. The state governments will contribute N375m for fertiliser purchases.
- The 11 river basin authorities are expected to spend N924m in 1981-85. This should create an irrigation potential of 1.4m hectares, and 1,500 boreholes will be drilled.
- The federal allocation on forestry is N97m. More than 100m seedlings will be raised for distribution to states in the arid zone. Timber, pulp and transmission poles will come from 42,900 hectares of plantations to be set up during the plan period.
- Meat production, veterinary and extension services, feed production and marketing facilities are allocated N198m. Nearly N4m is earmarked for the establishment of dairy ranches. Feed mill complexes and six concentrate mixing plants are expected to produce 335,000 tonnes of supplementary feed annually, and will be complementary to the states' programmes.
- The federal government will spend N87m to improve supplies of fish, seen as an increasingly important source of protein. Three coastal fishing terminals will be built in Lagos, Aiyetoro/Igbokada and Port Harcourt, while the states will promote commercial fishing through fish farms and co-operatives.

Michael Holman

Trying to encourage a new emphasis on food output

ALHAJI IBRAHIM GUSAU, the Minister of Agriculture, reminded Nigerians on World Food Day last month that their annual import bill for wheat, rice, feed grain, vegetable oil, sugar and other foodstuffs exceeded 1bn naira (about £840m) a year — nearly 15 per cent of import spending.

He blamed lopsided planning by previous governments, grossly inadequate public and private investment in the sector and the drift of male workers to the towns, leaving behind an ageing farming population.

When President Shagari came to office, he made a revival in agriculture his government's priority. A team of Nigerian and World Bank experts were commissioned in January 1980 to come up with a strategy for recovery. Their report later that year, recommending wide policy and institutional reforms, was launched as the "Green Revolution" and forms the basis of agricultural policy set out in the outline of the Fourth National Development Plan.

It covered all aspects of food production, including extension services, input deliveries and subsidies, marketing, storage and credit. The principles of the Green Revolution are generally acknowledged as sound, but most experts believe that the overall target of 4 per cent agricultural growth a year over the quintennial and self-sufficiency in basic foods by 1985 is far too ambitious.

Prof Emmanuel Edozien, the president's special adviser on economic affairs, takes an optimistic view. "We believe that less and less food will be imported because of policies in the agricultural sector," he said.

"The efforts of the river basin authorities in rice production, for example, should stem the large amount of foreign exchange committed to rice imports." They were running at N200m a year, but the year-end figure for 1981 could be higher when Christmas demand was taken into account, Prof Edozien said. "We have been importing too much food and this is one of the things we are determined to contain."

It will be difficult. The central bank report for 1980 put estimated production of staple food crops (root, tubers, cereals, pulses) at 15m tonnes last year, a mere 0.3 per cent up on 1979, and well under the population growth rate of more than 3 per cent.

Food suppliers believe that trade will boom. "The next two years will be golden years for food exporters because of the election in 1983. Government will do its best to avoid shortages and contain prices," one embassy trade official said.

Government intervention can have dramatic results. At the end of last year a special consignment of 30,000 tonnes of flour brought the market price in Lagos down from S50 to S28 a 50 kilo bag. Rice reached N100 a bag at Christmas last year, forcing the government to act *through a specally appointed* presidential task force. The price fell to N75, and is now N42 a bag wholesale.

Political issues apart, there is another factor which influences demand. "Rapid urbanisation in Nigeria has changed the national consumption pattern. People are moving away from roots and tubers and eating more rice and bread," one supplier said.

For the U.S. in particular, a major export market has opened. Its agricultural exports have soared from $39m in 1973 to a forecast $500m in 1981. Trade officials believe that Nigeria could become a $1bn market for its commodity exports by 1985.

There will also be a huge market for agricultural equipment, technology and services, to back Nigeria's food development programme. It includes flour mills, feed mills, integrated livestock and poultry projects, storage and transportation facilities and agricultural implements and machinery.

The Government has tried to boost investment by removing large-scale farming and agri*business from Schedule II of* the Nigerian Enterprises Act—a category which requires 60 per cent indigenous ownership—to Schedule II, which reduces this to 40 per cent.

"We expect a greater level of foreign investment in plantations as a result and there have been very encouraging inquiries from the U.S. and elsewhere," Prof. Edozien said.

But the general assessment of most observers is that Nigeria will face heavy food imports over the Plan period despite the reformed agricultural policies. This can be seen by the following item-by-item breakdown forecast.

Wheat and flour: Imports are between 200,000 and 300,000 tonnes of flour a year for biscuit factories and to supplement local production from imported wheat. Although flour imports are likely to fall as domestic milling capacity increases from 1.6m tonnes this year to a targeted capacity of 2.5m tonnes by 1985, wheat imports will rise.

Imports last year were 1.3m tonnes and by 1985 are likely to reach 2.1m tonnes, according to trade officials. Domestic prospects are poor. Only 15,000 tonnes was grown in 1980 and few areas of Nigeria are suitable for the crop, and then only under irrigation. A further factor is the type of local wheat, which is a soft variety, whereas the demand is for hard wheat, used to make bread.

Rice: This increasingly popular staple has been a controversial subject and irregular supplies at wildly fluctuating prices have in large measure been the result of an erratic government policy, as the accompanying box illustrates.

In 1980, in response to a 350,000 tonne import limit imposed by the government, prices rose from $55 a 50 kilo bag in the first half of the year to between $150 and $185 from September as consumers realised it would be in short supply. Nigeria needs between 40,000 and 50,000 tonnes a month, hence traders were able to make fortunes.

Despite big projects such as the River State agreement with General Technology Incorporated of the U.S. for a rice farming and processing scheme, the general view is that imports will soar. One embassy forecast is that annual demand for imported rice will rise to between 800,000 tonnes and 1m tonnes by 1985, coming mainly from Thailand and the U.S.

Corn and feed grains: Corn production from the Middle Belt could grow substantially over the Plan period, and domestic production rose 3 per cent in 1980 to 1.7m tonnes. But this did not keep up with demand and imports from the U.S. rose from 30,000 tonnes in 1979 (limited by import restrictions) to 150,000 tons last year, and are likely to double this year.

Its main use is in animal feed, and the corn is mixed with protein meal and premixed concentrates imported from Europe. The poultry industry is a major user, and because poultry is an increasingly important source of protein, the Government is obliged to accept high corn imports.

At seven grammes a day, according to the Food and Agriculture Organisation, Nigeria's average protein intake a head is three grammes below the African average. Two of these grammes come from poultry. As one paper points out, if Nigeria doubled its poultry protein consumption it would mean a chicken population of 60m layers and a yearly broiler production of 300m birds—four times the current *commercial flock, which would* need four times the current annual demand of between 450,000 and 500,000 tonnes of animal feed.

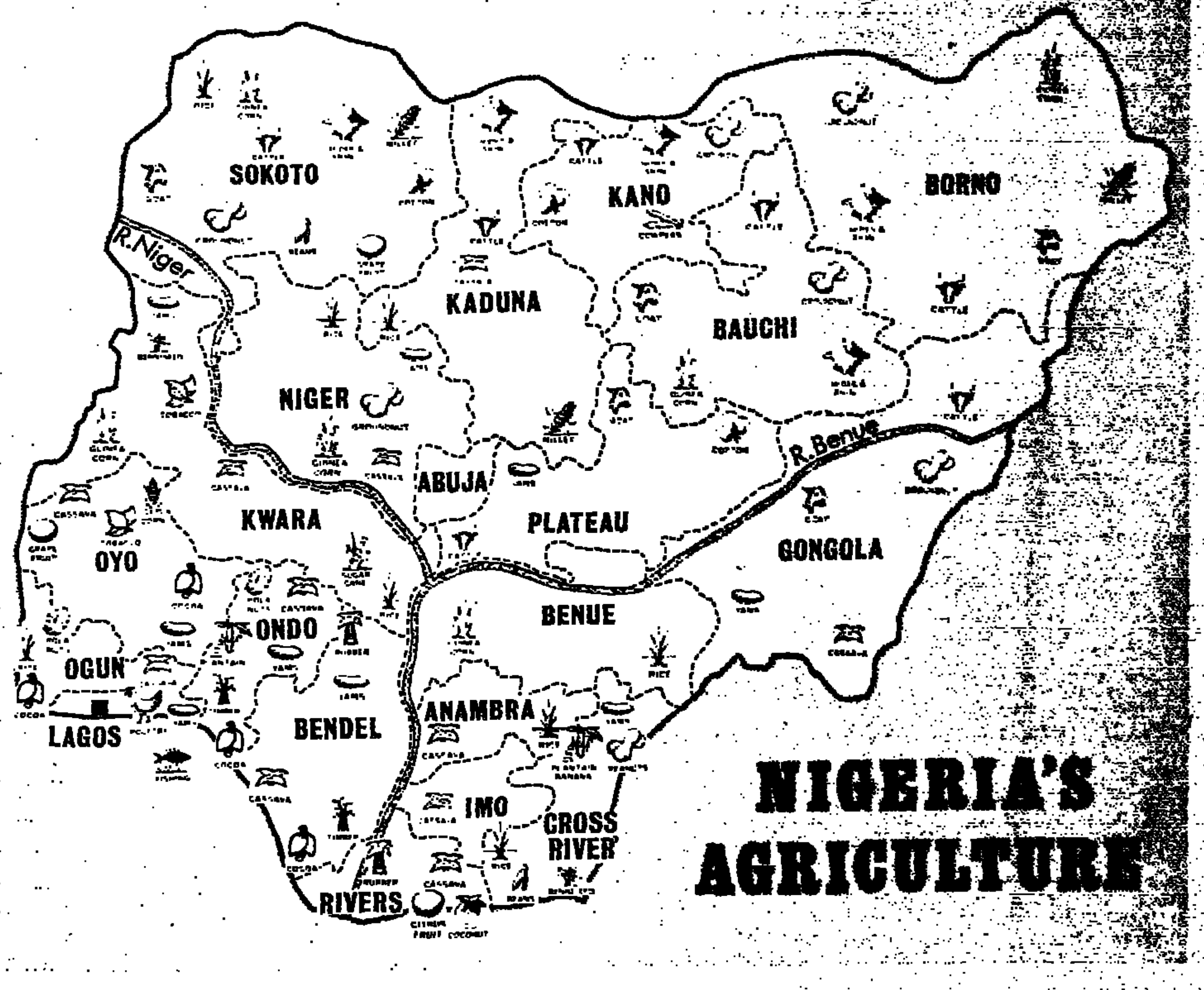
Assuming the Government continues to encourage poultry, one forecast puts corn imports at 750,000 tonnes and protein meal at 150,000 tonnes by 1985.

Vegetable oils: The story of vegetable oil is one of the tragedies of Nigerian agriculture. The Sahel drought, disease and government neglect saw groundnut exports shrink to nil. The 1980 crop rose to 50,000 tonnes, but the bulk of the purchases of the Nigerian Groundnut Board were to provide 1981 seed.

Palm oil production has stagnated, while domestic demand for vegetable oils has increased, pushing imports up to a forecast 350,000 tonnes in 1981, mainly from Europe.

Sugar: Domestic raw sugar production in 1980 was 32,000 tonnes, up 10 per cent on 1979, and 1981 output should exceed 40,000 tonnes. The theoretical capacity of existing and planned estates could rise to 290,000 tonnes by the mid-1980s but this will be well behind demand.

Michael Holman



Dunlop highlights rubber problems

ON PAPER the Government's plan to increase the role of private enterprise in the production and processing of export crops looks impressive. But in practice, as the example of rubber illustrates, there are serious problems to overcome.

Rubber was once a substantial export. But for the past three years exports have been almost stagnant at little over 30,000 tonnes. The Nigeria Rubber Board is embarking on a general rehabilitation programme covering all the rubber producing states—Bendel, Imo, Cross River, Ondo and Rivers—which will include the establishment of nurseries and supply of seedlings to farmers, along with improved extension services.

Under government policy a private company wishing to invest in the sector enjoys a number of benefits. The 1981-85 *Development* Plan points out that existing fiscal incentives will be maintained, such as income tax relief for pioneer enterprises and duty free importation of farm machinery. Agricultural production and processing has been transferred from Schedule II to Schedule III of the Nigerian Enterprises Promotion Act, and foreigners can now own up to 60 per cent (40 per cent under Schedule II) of the equity.

It has been made clear to agro-based industries in Nigeria that they are expected to take advantage of these provisions as part of their contribution to *agricultural development.*

But as John Hammond, MD of Dunlop Nigeria points out, it is not straightforward. "One of the problems of investment in the agricultural sector is that Nigeria has chosen a foreign exchange rate policy more appropriate to an oil economy than an agricultural economy."

What this means is that Nigerian producer prices are often substantially higher than world prices, placing local manufacturers at a serious disadvantage. Dunlop shares with Michelin a domestic tyre market of upwards of 1.5m tyres a year. Their production capacity can meet about 60 per cent of this, but they are meeting increasingly stiff competition from imported tyres. Two important factors are high local labour costs and the rising domestic price of local rubber.

Producer prices have risen steadily, from N365 per tonne for rubber latex in 1978-79 to N485 per tonne in 1980-81. The world price per kilo is between 70-80 kobos, compared to the Rubber Board price of 100 kobos. "Local rubber supplies have become increasingly expensive and out of line with international prices," quotes Dunlop's 1980 annual report.

There is no effective protection for locally manufactured tyres, which can be undercut by as much as a third by imports from Europe and the Far East. "With local cost increases moving ahead of international trends, the competitiveness of local tyres against imports from low cost countries is a serious threat to the business," says the Report.

Nevertheless, Dunlop has concluded negotiations for the purchase of a rubber plantation in Nigeria. It once owned a plantation which was affected by the war and was sold in 1969 to the then Eastern Government. Costs can be cut, says Mr Hammond, by improved management, higher productivity and mixing the rubber trees with another crop. But under current international conditions it cannot be competitive and export prospects are poor.

Michael Holman

DOING BUSINESS

NIGERIA CAN be a tough country in which to do business. Hotel accommodation is often hard to get and below international standards (although not below international prices.) Communications are poor, though international links have improved, and the climate is oppressive.

It is worth remembering two things. First, Lagos residents find their city every bit as demanding as the visitor, indeed more so. Unless they belong to the elite who are relatively cocooned in Ikoyi or Victoria Island, they live in cramped quarters, endure frequent power cuts, and rise before dawn to battle through the rush-hour traffic, knowing that the return journey will be every bit as difficult.

Whatever the shortcomings of his hotel, the foreigner is immeasurably more comfortable than nearly all the people he will meet.

Second, Lagos is not Nigeria. Life is conducted at a more leisurely, friendly pace in other major centres such as Kano and Kaduna, and if the businessman does have a spare weekend it is worth placing himself (cautiously) in the hands of Nigeria Airways and discovering another side of a fascinating country. He could even explore the country by taxi (as described by one of the FT correspondent(s), or at least make for Badagary Beach and drink champagne.

Coming to terms with hotel life

By a Correspondent

THE KEY to my room was not in its normal pigeonhole in the hotel reception when I returned from a hot day in the office in Lagos. "The cashier has it," the clerk told me after consulting his records.

"Your account is 74 naira in debit," the smart young man in the cashier's office explained. "You can't have the key until you have given us another deposit."

I had fallen foul of one of the more irritating peculiarities of Nigeria's sometimes idiosyncratic hotel system. Guests pay in advance, and are required to keep their accounts in credit—a nationwide policy adopted because too many visitors were disappearing without paying the bill. In my hotel, part of a highly regarded international chain, bad debts are said to have run to N200,000 (about £175,000) a year before the system was introduced.

So the system may be necessary, but it still hurts. Particularly when, as in my case, the ultimatum came with no warning. "You will be given a reminder," the hotel brochure says. Not this time — and because the bank had already closed, I had the choice of changing traveller's cheques at *the hotel's depressed rate or* sleeping on the beach.

Nigerian hotels are like that. They may look like the conventional refuge of the expense account traveller. Indeed, I have slept in the same room in Birmingham and in Liverpool, and when I wake up, only the hum of the air conditioning and the view from the balcony tell me this isn't Merseyside. But the Westerner has to be prepared for a few surprises.

Like the bucket in the bathroom, filled with water. I thought the cleaner had left it there by mistake; but the bucket had my room number on, and surely he didn't need a different bucket for every room. Then the water supply went off, and the penny dropped.

Room cleaning tends to be erratic. Sheets which are supposed to be changed every day might have to last a week. You run out of soap because the steward hasn't brought enough with him. Your order forms for breakfast aren't replaced.

And that is another story. The order form is familiar—you can have continental breakfast, fruit juice, and a choice of tea, coffee, milk or chocolate. And you can specify the time at which it should come. It may not come then. It may be 10 minutes late, or half an hour. One Sunday morning it was an hour and a quarter late.

That was the morning I'd promised myself a lie-in. At a quarter past eight there was a sharp knock, and the door opened while I was still surfacing. "Housekeeping — just checking," the little man said as he poked his head inside. I'm still not sure what on.

Lesson

But there is no real percentage in complaining. You learn that lesson in the hotel restaurants, where cowering customers are rapidly taught their proper station in life. "Why couldn't you tell me before?" snapped a bad-tempered waiter when I timidly called him over to ask for tea to be added to my original order. There are frequent arguments between waiter and diner, and Nigerian guests come in for as much abuse as the foreigners.

It can reach ridiculous proportions. On one occasion, our meal was interrupted by a crescendo of argument from a neighbouring table, where a muscular Italian and an imposing senior waiter were eyeball-to-eyeball, wagging threatening fingers at each other in growing anger. The Italian was persuaded to sit, so the waiter kicked his chair from underneath him. This did not please the Italian, who invited the waiter outside for further discussion. By this time the restaurant manager had arrived. He scolded the customer.

The food in the restaurants is occasionally very good, but is usually no more than fair. But the length of the menu is no guide to the range of food *available.*

Service can be slow. I've waited an hour just to have my order taken, and it is no use chasing after a waiter to invite him to help. He will still make up his own mind. Then suddenly he will startle you with his efficiency.

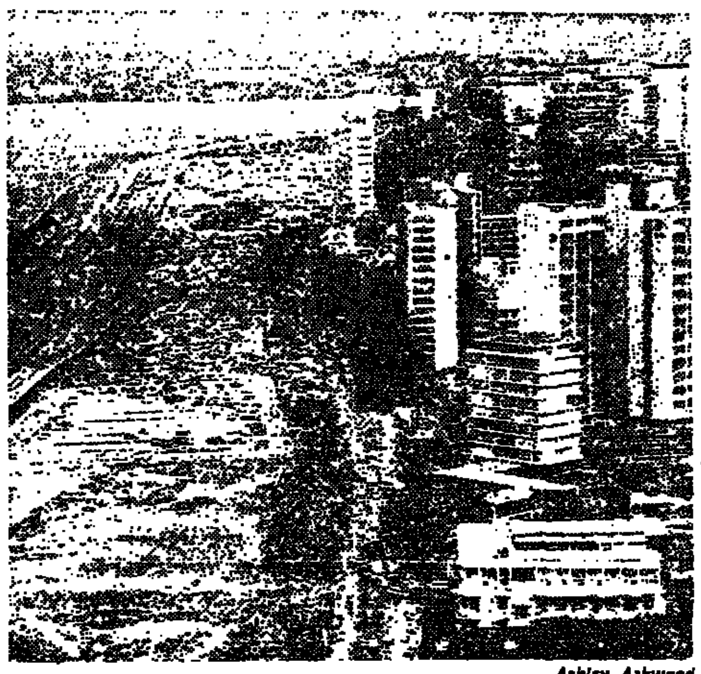
One night, after we'd eaten perhaps the best main course of our stay—barbecued steak and chicken by the hotel pool—the waiter cleared away my half-finished beer while I walked to a table 10 yards away to collect dessert. That was the night we waited an hour for the urn to heat up enough to make the after-dinner Nescafé—and all this in a hotel where a room costs about £55 a night, plus 10 per cent service charge, and even a modest meal will run to £10.

To be fair, it isn't all like this, and the big international hotels in Lagos are not a reflection of establishments elsewhere in the country. Indeed, Lagos itself can give a totally false impression of Nigeria and its people.

In Benin City, we stayed in a modest motel, where the menu was longer than in our sanitised cocoon in the capital *and the prices were much* lower. Our rooms were clean and comfortable—as they are in Lagos. The real difference was that in Benin we were made to feel like guests, and welcome ones.

The palatial building in Lagos has its advantages, of course. It is familiar, it is protective, it is reasonably secure in a country where hotel theft is commonplace. But it is not Nigeria.

The hotel bookshop sums it up. About a third of the postcards we can send home to wife and friends seem to come from Blackpool. Buttocks, bosoms and all.



Ashley Ashwood

Central Lagos, where high-rise buildings vie for a view across the Marina to Apapa.

Riding an inter-city saver

THE SITE was packed with taxis as tightly as oranges on a fruit stand. The field was a kaleidoscope of colours as market mammies squeezed their broad frames into mini-buses and drivers hoarsely called their destinations. "Lagos. Lagos. Lagos," shouted the man with a battered Peugeot 304 estate. "Kaduna, Kaduna," screamed someone else nearby.

The site was Kano, but it could equally have been any one of the hundreds of taxi parks all over the federation. The taxi driver is the most potent symbol of free enterprise at work in Nigeria. Day or night, taxis and small buses run to every city in the federation and for those who don't mind the discomfort, they can prove more reliable than the airlines.

The drivers work on a shared rental with every passenger paying a proportion of the cost. The advantage is that taxi journeys, even over hundreds of miles, are cheap. The disadvantage is that it can take hours before enough people are found to pack the cars to their requisite, uncomfortable limits.

A 600-mile journey from Kano to Ibadan costs only 15 naira (about £12.50) a person. From Maiduguri to Kano (about 372 miles) is only N7 and the 100 miles from Lagos to Ibadan costs a mere N2.

The alternative is one of hundreds of mini-buses which the Yoruba call "danfoes." The word is not, as someone suggested, a corruption of "done for." But like the taxis, they hurtle along the roads at breakneck speed with arms and legs poking from windows and doors like loose straw from a bale.

And like the taxis, they do not always reach their destination. The roads are littered with barely recognisable carcases of taxis and mini-buses which have come to grief. Not long after the accident, the vehicle is usually stripped of removable parts by passing opportunists.

Even more eventful are the coastal buses and taxis which battle their way from Lagos to Accra through Benin and Togo. Always loaded far beyond a point which looks safe, with everything from live goats to whisky, they fight their way through chaotic customs posts and grease the palms of dozens of well-fed customs officers

It is certainly never dull on long distance taxi journeys. The driver may pull over for prayers if he's a Muslim or visit his "brother" if he's just lazy. In between, his driving technique will usually keep you guessing about his intentions. After an overnight journey, one of my Nigerian companions said calmly at our destination: "It's lucky I felt like talking. The driver kept falling asleep."

MARK WEBSTER

Getting around

VISITORS CAN either hire a taxi for the day—hourly rates in Lagos are about N8—or an air-conditioned car with driver at N50 for an eight-hour day, plus petrol and mileage.

It is worth paying extra for air-conditioning. Traffic jams—"go-slows"—are still a problem despite the fly-overs.

Taxis from Murtala Muhammed International Airport will charge around N15 for the journey to the city—provided you beat them down from an asking price of twice that.

The rule of thumb for Lagos fares is to divide the opening demand by two, and then offer half that. This will be contemptuously rejected but you have left yourself a negotiating leeway. Raise your price with an appropriate display of reluctance to the figure you came up with in your original calculation, that is, half the fare first demanded, and honour should be satisfied.

VISAS

ALL VISITORS except nationals of neighbouring countries require entry permits, which will not be given at ports of entry. Visitors will be asked to produce International Certificates of Vaccination against smallpox and yellow fever. If coming from an infected country, a cholera vaccination is demanded: TAB vaccination is recommended and a ourse of anti-malaria pills should be started before leaving. Passports with South African visas are not accepted. Visitors are advised to carry travel documents at all times.

HOTELS

THE HOTELS listed below are air-conditioned but power and water cuts are not infrequent:

Federal Palace and Federal Palace Suites Hotel. Victoria Island. PO Box 1000, Lagos. Tel: 610031. Telex: 21432.

Ikoyi Hotel, Kingsway Road, Ikoyi. Lagos. Tel: 682295, 680674.

Airport Hotel, Ikeja. Tel: 923051.

Mainland Hotel, 2 Denton Street, Ebutte Metta, Lagos. Tel: 841080. Telex: 21595.

Eko Holiday Inn, Victoria Island, PO Box 12724, Lagos. Tel: 612076, 611695. Telex: 22650.

Kuramo Lodge, Victoria Island, PO Box 8054. Tel: 841080.

STATE HOTELS

Abeokuta: Ogun State Hotel. Benin: Motel Plaza or Palm Royal or Bednel. Calabar: Metropolitan. Enugu: Presidential. Ibadan: Premier or Lafia. Ilorin: Kwara Hotel. Jos: Hill Station or Plateur Hotel. Kaduna: Hamdala or Durbar. Kano: Central or Daula. Maiduguri: Lake Chad. Port Harcourt: Presidential. Sokoto: Sokoto Hotel. Zaria: Zaria Hotel.

RESTAURANTS

Bacchus, 57 Awolowo Road, Ikoyi. Tel: 683582. Chez Antione, 61 Broad Street. Tel: 635881. Phoenicia, 35-37 Martina Street. Tel: 657286. Quo Vadis, Western House, 8-10 Broad Street. Tel: 635152. Tabriz, 19-21 Breadfruit Street. Tel: 632828.

TELEPHONES

TELEPHONE CALLS within Lagos are easier to make than a year ago, and the international service is generally good. The greatest hurdle is likely to be the hotel switchboard. International telex and telephone calls can be made from the modern Nigeria External Tele*communications* Building on Marina, and from the Extelcomm office at Falemo Shopping Centre, Ikoyi.

CURRENCY

A CURRENCY declaration in duplicate is required both on arrival and on departure. Unlimited amounts of foreign currency or traveller's cheques can be brought into Nigeria but must be declared on entry. Receipts should be obtained for all transactions and saved for presentation on departure. A maximum of N 50 can be taken in or out of Nigeria. Naira cannot be reconverted.

SELECTED DIPLOMATIC MISSIONS

British High Commission, 11 Eleke Crescent, Victoria Island. Tel: 61151, 611842. 611654, 611934, 611789. Telex: 21147. France: 1 Queens Drive, Ikoyi. Tel: 680026, 680044. Federal Republic of Germany, 15 Eleke Crescent, Victoria Island. Tel: 611011. 611082. 611173. Ireland: New Africa House, 31 Marina. Tel 636579, 631708. Italy: Eleke Crescent. Tel: 614066. Japan: 24-25 Apese Street, Victoria Island. Tel: 614929, 613737. *United States: 2 Eleke Crescent.* Tel: 610050. 610097. EEC: Tel: 682236.

USEFUL BOOKS

Structural Change in the Nigerian Economy (Macmillan, 1980). F. A. Olanku (Ed.).

The Nigerian Civil War (Hodder and Stoughton, 1972), John de St Jorre.

Soldiers and Oil (Frank Cass). Keith Panter-Brick (Ed.).

The Story of Nigeria (Faber and Faber, 1978), Michael Crowder.

Annual Report, Central Bank.

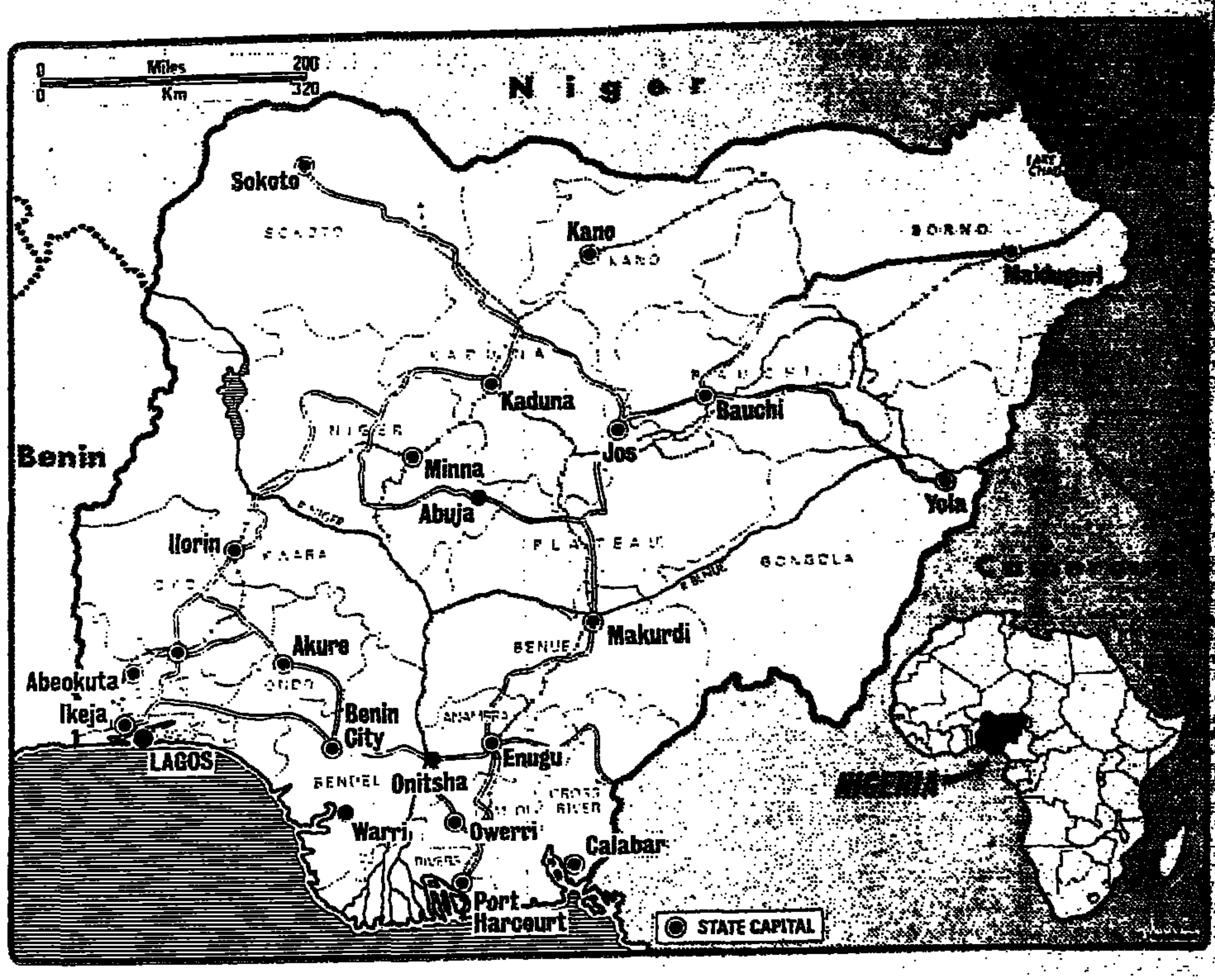
Nigeria Year Book, Times Press, Apapa, Lagos.

Shehu Shagari, My Vision of Nigeria (Franck Cass. 1981). edited by Aminu Tijjani and David Williams.

Outline of the Fourth National Development Plan 1981-85. Federal Ministry of Planning, Lagos.

Nigerian Financial System (Macmillan, 1980), G. O. Nwankwo.

Nigeria since 1970: A political and economic outline (Longmans, 1981), Anthony Kirk-Greene and Douglas Rimmer.



THE FEDERAL EXECUTIVE

Ministers' and senior officials' addresses and telephone numbers

AGRICULTURE	
Minister	Alhaji Ibrahim Gusau 681836
Minister of State	Chief Olu Awotesu 681434
Permanent Secretary	Malam M Liman 682732
Address	3rd Floor, Block 1, New Secretariat, Ikoyi
AVIATION	
Minister	Alhaji Abubakar Iro Dan Musa 680466
Permanent Secretary	Alhaji A. Koko 681463
Address	7th and 8th Floors, Block 2, New Secretariat, Ikoyi
COMMERCE	
Minister	Alhaji Bello Maitama Yusuf 653566/1613
Minister of State	Alhaji Ahmudu Nahuce 684629/1649
Permanent Secretary	Mr B. A. Ehizuenlen 684451
Address	1st, 2nd and 3rd Floors, Block 2, New Secretariat, Ikoyi
COMMUNICATIONS	
Minister	Mr Isaac Shaahu 633000
Minister of State	Chief Eteng Okoi-Obuli 637060
Permanent Secretary	Mr J. E. K. Oyegun 655055
Address	P and T Building, Tafawa Balewa Square, Lagos
DEFENCE	
Minister	Alhaji Akambi Oniyangi 633394
Permanent Secretary	Aluaji A. Saleh 631056
Address	4th Floor, Independence Building, Tafawa Balewa Square, Lagos
EDUCATION	
Minister	Vacant 684743
Ministers of State	Mr Claudius Agboola Bamgboye 684724
	Alhaji B. Usman 684729
Permanent Secretary	Mr F. I. Adesanoye 684728
Address	Kofo Abayomi Street, Victoria Island
EMPLOYMENT, LABOUR AND PRODUCTIVITY	
Minister	Mr Adebisi Ogedengbe 633426
Permanent Secretary	Mr E. O. Omoyale 630702
Address	5th Floor, 6 Storey Building, Broad Street, Lagos
EXTERNAL AFFAIRS	
Minister	Professor Ishaya Audu 664164
Ministers of State	Chief Patrick Bolokor 664277
	Alhaji Ali Baba 664647
FEDERAL CAPITAL DEVELOPMENT	
Minister	Mr John Jatau Kadiya 684372
Permanent Secretary	Alhaji Aliju Mohammed 684356
Address	15B Awolowo Road, SW Ikoyi (PMB 24, Suleija, Niger State)
FINANCE AND CUSTOMS	
Minister	Mr Victor Igwe Masi 682517
Minister of State	Mr Ademola Thomas 682721
Permanent Secretary	Alhaji Abubakar Alhaji 681908
Address	11th and 12th Floors, Block 1, New Secretariat, Ikoyi
HEALTH	
Minister	Mr Daniel C. Ugwu 684405
Permanent Secretary	Mrs F. Y. Emmanuel 684409
Address	9th and 10th Floors, New Secretariat, Ikoyi
HOUSING AND ENVIRONMENT	
Minister	Dr Wahab Claseinde Dosunmu 681683
Minister of State	Alhaji Ahmed Musa 682254
Permanent Secretary	Mr G. A. Fatoye 682071
Address	4th Floor Block 1, New Secretariat, Ikoyi
INDUSTRIES	
Minister	Malam Adamu Ciroma 680396
Minister of State	Dr Ishmael Jikiri Igbani 682036
Permanent Secretary	Mr M. E. P. Odebiuwa 682607
Address	9th Floor, Block 1, New Secretariat, Ikoyi
INTERNAL AFFAIRS	
Minister	Professor Iya Abubakar 680631
Permanent Secretary	Mr G. A. Nwanze 683694
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WEST GERMANY

Helmut Schmidt's balancing act

By Jonathan Carr, Bonn Correspondent

HERR HELMUT SCHMIDT'S period as West German Chancellor is probably entering its final phase. Herr Schmidt himself has made clear he would prefer not to stand for re-election in 1984, when he will have been Government leader for a decade. But there are good reasons why he may go before that, even though no clear successor is at present in sight.

This judgment is not made on the basis of Herr Schmidt's recent heart operation alone. The Chancellor, who will be 63 in December, is making as light of that as though he had simply been to the dentist to have a tooth out. But his task as Government leader has become steadily tougher over the last year, and there are no signs of a change for the better. Even a man in the very best of health would be greatly strained by the triple pressures on Herr Schmidt — from his unruly Social Democrat Party (SPD), from the liberal Free Democrat (FDP) partner in the coalition Government, and from abroad.

Herr Schmidt, despite all assurances to the contrary, is clearly not in the best of health, nor is he a man temperamentally inclined to ration his work load.

SPD's chance in general election

Last year he had heart trouble and ignored doctors advice to take a long break — not least because he feared a prolonged absence would undermine the SPD's chances in the general election in October. He was almost certainly right about that. Without Herr Schmidt, the SPD would probably not be in Government now — and it is very much an open question whether it would stay in office long after his departure.

For a couple of months after the election, and especially during the often bitter coalition negotiations on a new Government programme, the Chancellor seemed worn out and only picked up when he had a holiday abroad at the turn of the year. He took most of this August off at his lakeside home in north Germany, returned to Bonn in September to guide budget talks which threatened to cause a coalition split — and six weeks later was in hospital having a heart pacemaker fitted after brief moments of lost consciousness.

Given this record, and his own feeling that a decade in office would be enough for himself and the country, it would frankly be amazing if Herr Schmidt carried on to fight an election campaign in 1984 too. To do so would imply that he was staying on well into yet another legislative period, since he could hardly win only to step down shortly afterwards. That would amount almost to a dereliction of duty and, whatever his faults, Herr Schmidt can certainly not be accused of that.

Thus a decision not to carry on beyond 1984 implies that Herr Schmidt would hand over the reins earlier—at the latest mid-way through 1983, or in little more than 18 months' time. That would leave his successor a bit more than a year to establish himself before an autumn 1984 election.

Who would that successor be? Some suggest the Finance Minister, Herr Hans Matthoefer, although his heart condition is also giving current cause for concern. Others name the Defence Minister, Herr Hans Apel, although his performance in his present job has not been distinguished. Still others mention the former Justice Minister, Herr Hans Jochen Vogel, and the latest "dark horse," Herr Johannes Rau, the Prime Minister of North Rhein-Westphalia.

The large number of names simply serves to underline that there is no "crown prince." Nor is it clear that the FDP would stick to its alliance with the SPD once Herr Schmidt had gone. One senior member of the FDP said privately last week that if the Chancellor had to go for health or other personal reasons, then "of course" the Liberals would extend further coalition co-operation to his successor.

That pledge is no doubt sincerely meant but it is doubtful whether it could be realised in practice or that, if it was, that the new coalition would hold for long. Herr Schmidt has long been performing the political conjuring trick of reconciling the apparently irreconcilable within the coalition. Even so, the FDP has been flirting more with the opposition Christian Democrats (CDU) this year than at any time since the SPD-FDP alliance was founded in 1969.

To write books and get up rather late in the morning

Herr Schmidt's departure would thus imply, on balance, that West Germany would move towards a government of the centre-right after well over a decade of rule by the centre-left. That could hardly be interpreted by most people as a sign of political instability—although naturally there are some Social Democrats who feel it would be a catastrophe, in particular for Bonn's relations with Eastern Europe and the Soviet Union.

None of this means Herr Schmidt is bound to be a "lame duck" Chancellor during his remaining period of power. Indeed, he is known to have two major aims—so far only partly fulfilled—and seems certain to redouble his efforts to achieve them in the time left to him, no matter what his doctors may say.

The first is to steer the country safely through the period of serious tension in East-West relations caused, above all, by the large and growing Soviet preponderance in intermediate range nuclear missiles (those which can hit all Europe from Soviet territory but not reach the United States). That means ensuring as far as humanly possible that the Nato "twin track" decision is respected in both parts—negotiation with the East and deployment of some new missiles in the West, so that an approximate military balance can be restored.

Herr Schmidt feels he has done more than most to give an impetus to restoring that balance: he underlined publicly the growing Soviet intermediate range threat as long ago as 1977, and since then has badgered both superpowers towards the conference table.

The Chancellor has already told a high Soviet visitor he feels "deceived and betrayed" by Moscow's continued missiles build-up, which he interprets as a clear violation of a pledge made to Bonn in 1978. And he is not likely to mince his words when he meets the Soviet President, Mr Leonid Brezhnev, on November 23 and 24—one week before Washington and Moscow hold their first round of missiles limitation negotiations.

But exerting pressure on the superpowers is only one part of Herr Schmidt's task—and not necessarily the harder one. At home he not only has to win confirmation of the Nato decision from the SPD conference in April, in the face of a growing pacifist movement which is basically non-party but with which many SPD members sympathise.

On balance it is likely that the SPD will give its support to the Nato decision again, not least because, with superpower negotiations only starting at the end of this year, a major success can hardly be expected from them by the time of the SPD conference in the spring. But many in the SPD are hoping that the negotiations will result in the so-called "zero option" in which the West will have to deploy no new missiles because the Russians scrap all theirs.

This outcome is privately recognised in the Bonn Government to be virtually impossible (though, of course, theoretically desirable). In practical terms the most positive outcome likely from the negotiations would be partial deployment of new U.S. missiles, with a large reduction in Soviet weaponry. For the Germans this would mean a readiness to accept some Pershing-2 missiles from the end of 1983, while stressing that deployment of cruise missiles would only follow much later, and perhaps not at all if the arms control momentum were maintained.

The Chancellor's second main aim is to see the West German economy well down the road of structural change made essential by the two oil crises — the second one above all, whose impact he feels to have been still more far-reaching than the first. That implies keeping a balance between two broad strategies—both seen as essential but constantly in friction with one another. One is to preserve the market economy and its ability to effect necessary change more quickly than other systems do. The other is to maintain a social security system which will ease hardship and maintain social peace while the change occurs. Much of the increased friction in the coalition — and in the country at large — can be traced to disagreement about where the line between these two strategies should be drawn in an extended period of low economic growth.

Easily be blown off course

The word common to both these broad aims is "balance"—in domestic economic, and in foreign military strategies. It almost goes without saying that whatever Herr Schmidt's efforts, he could easily be blown off course. In his darker moments, the Chancellor sees the western world plunging into a serious depression from which the trade-dependent Federal Republic obviously could not isolate itself. And a Soviet intervention in Poland is only one of the possible developments which would undermine East-West arms control negotiations. The West Germans can warn and cajole—but they cannot control.

If, despite these hazards and his own uncertain health, Herr Schmidt can achieve his goals, then he will be the third West German Chancellor—after Dr Konrad Adenauer and Herr Willy Brandt—to be sure of a place in the history books. He would then surely have satisfied his sense of duty enough to retire and do what he has desired for a long time—to write books and get up rather late in the morning.

Lombard

Where the schools are failing

BY MICHAEL DIXON

ONLY TWO kinds of education are available to the great majority of young people in the UK. About a third of them receive a middling-to-good academic education. The rest undergo an indifferent-to-bad academic education. With rare exceptions, the schools offer no other type of educational product. Children whose intelligences run in directions other than the academic are left to take a mishmash of diluted scholarly studies, or to leave it. Many choose the latter. In some areas rates of truancy among older pupils are 25 per cent or more.

Little attempt is made to develop such children's other potentialities—which are more relevant than academic abilities to most kinds of productive work—until they have passed the compulsory school-age of 16. By then they have often become irreconcilably estranged from systematic learning. Not all of the talent so abandoned is extinguished: some smoulders with lasting resentment. This cannot but be fanned by the insistence of employers, including Government, on ruling out of consideration any young applicant for a job who lacks some arbitrarily specified attainment in the national academic examinations, although these frequently have no bearing on the work at issue.

The threatening social and economic consequences are clear. They have been foreseen and voiced by numerous people. These include, for instance, Mr David Emms, the head of Dulwich College which is one of the most academically successful schools in the land, and Mr Jack Chambers, president of the National Union of Teachers. Both have recently attributed the education system's disregard for industry and the practical aptitudes of its non-academic students to the domination of school curricula by academic exams. Sir Keith Joseph, the Secretary for Education and Science, has said that the greatest single educational problem is the service's failure to develop the potential of so many of its young clients.

Despite these mutually supporting analyses, nothing is evidently being done to tackle the root of the problem. It is true that measures are in hand or under consideration to alleviate youth unemployment and to foster greater understanding between schools and employing organisations in the same neighbourhood. But the so-called education-industry link schemes are sporadic and often no more than a casual adjunct to the conventional timetable.

Lack of action to repair the deficiency can fairly be attributed to two main kinds of fault in the established procedures for administering education and other activities to prepare young people for adult life.

On the one hand, education apparently employs nobody with the responsibility, let alone the power, to devise and bring into practice the fundamentally new forms of teaching required. Central Government has lately shown concern about what State schools teach, and has exhorted the local authorities directly administering the schools to do likewise. But the curricula are effectively controlled by the heads and staff of the individual schools, whose training and experience is in the academic mould. Radically different approaches require both machinery and money to be provided specifically to create them and ensure their use.

On the other hand, there are people in education who see their job as defending schools' curricula against significant incursion by studies of any markedly unconventional type. The barrier erected by influential officials excludes particularly the Manpower Services Commission and its associated training activities.

Techniques developed in the training field and in other activities outside the academic tradition, such as teaching foreigners to speak and understand English, offer a most promising source of the direly needed different approaches. But so long as the territorial defensiveness is allowed to persist, the external sources appear certain to be denied to the schools and the UK's "greatest single educational problem" will continue unsolved.

Letters to the Editor

Government influence on the level of unemployment

From Mr C. Pratten

Sir,—In the final paragraph of his economic viewpoint article "*Nonsense on stilts at Blackpool*" (October 15), Samuel Brittan challenges opponents to counter the "extended and non-partisan exposition" he gives of the case for policies broadly similar to those operated by Mrs Thatcher. The article summarises Mr Brittan's attempt to provide a thorough justification for the broad thrust of these policies in the Hobart paper "How to end the Monetarist controversy."

Mr Brittan's approach is based on a belief that he knows how the economy operates. He argues that there is a "natural" rate of unemployment at which inflation neither increases nor declines.

The existence of a natural rate of unemployment requires assumptions about the effects of increasing money flows on output. Also questionable assumptions about the formation of expectations and the ability of all major groups to maintain their share of the national product are implied.

The real test of any theory and the assumptions on which it is based is evidence. Mr Brittan places much weight on his interpretation of recent economic experience in the UK, the U.S. and West Germany. From the mid-1960s the so-called "Misery Index," a sum of the percentage of the working population unemployed and the rate of inflation, rose in spite of Keynesian attempts to stimulate demand. This index assumes that a 1 per cent increase in inflation creates as much hardship and waste (misery) as a 1 per cent increase in unemployment. Mr Brittan does not say why he uses a one-to-one relationship, a higher weighting for unemployment would seem appropriate.

Another interpretation of the evidence is that the oil disturbances caused much of the increase in inflation during the 1970s. If the direct and indirect effects of the oil disturbances on both prices and unemployment were eliminated, the misery index would not rise so sharply. Certainly there are difficult problems in reducing the level of unemployment and the rate of inflation, *but it is* simply a matter of belief on Mr Brittan's part that Keynesian policies can have no long-term effect on unemployment. Experience of the last two years has shown that wage settlements do not depend on monetary targets. A decision to allow the money supply to increase faster would not be a signal for larger claims, nor need it, or should it, mean that the Government becomes a push-over in wage negotiations.

The present high unemployment, in part created by the monetary policies Mr Brittan has advocated, will increase the natural rate if it exists. During periods of mass unemployment, skilled workers trade down to get jobs. It is the unskilled that suffer disproportionately from unemployment. To restore high employment will require not only more jobs created but a reallocation of the workforce all down the skill ladder with all its inflationary consequences. The same occurs with educational qualifications — school-leavers with O levels take jobs which at higher levels of employment backward and handicapped youths could do.

Governments are like businesses. Managers of a business plan and budget for profits. They cannot select the planned level of profits regardless of their present position. They cannot be sure of hitting their targets. But that does not mean they are powerless to influence the outcome. Similarly, governments' inability to achieve any arbitrary target level of output and employment does not mean they are powerless to influence the level of unemployment by regulating real demand. Recent experience has shown how government policy can influence — increase — unemployment.

Mr Brittan too often fools himself into believing that there are easy choices. He argues that "if the choice is between suffering high unemployment with high or low inflation, we might as well suffer it with low inflation." If that were the choice, we could all agree, but things are not so simple. The choices are between lower unemployment and faster inflation, or some method of achieving the former while suppressing the latter. The choices do not go away by theorising a choice between economic failure and economic success.

Simple monetarism — and Mr Brittan's version is little more — is a hoax, a modern "Piltdown Man" — only this time millions are suffering; and it threatens the justification for the capitalist system, which is production for people's needs.

C. F. Pratten.

Trinity Hall, Cambridge.

Samuel Brittan writes: I am grateful to Mr Pratten for taking the argument seriously. But I do not give equal weight to a 1 per cent increment in inflation and a 1 per cent increment in unemployment. The "misery index," which is not a personal invention, has long been calculated by international organisations as a piece of simple shorthand. I was very careful to have unemployment and inflation charted separately, so that readers can give their own weights if they think weights appropriate which I do not.

Hanson's battle tactics

From Mr L. Orchard

Sir,—Relying on your magnanimity, may I reply to Mr Pattisson's letter to you of October 30. His letter is, alas, a rather poor example of the art of sidetracking the issue.

Instead of answering my question "What can Hanson do for Berec that Berec cannot do for itself?" he lets himself down by descending to the arena of personal attack on me which begins to look as though this form of behaviour is an agreed Hanson board tactic against anybody who disagrees.

Hanson seems to pay a great deal of attention to the volume of shares that a director or ex-director holds, and appears to judge management by such absurd criteria. Really, Mr Pattisson, you will have to do better than this—if you don't want to give a straight answer why pile your opponent with abuse?

And finally, don't be impertinent — my shareholding in Berec is my affair and I am under no obligation whatsoever to reveal it to anybody—including Hanson.

L. W. Orchard.
The Maltings,
High Street,
Cookham,
Maidenhead, Berks.

Borrowing at an economic cost

From the National Chairman, Union of Independent Companies.

Sir,—May I support on behalf of the independent (unquoted) sector of British industry the proposals set out in the Grylls report.

If the Government adopts them swiftly it will enable larger independent companies to borrow at an economic cost with enormous benefit to cash flow even though the overall rates remain high. It is the UIC's view that the scheme should be restricted to UK investment and audited accordingly.

There is no doubt whatsoever that with the advantages available, and at a rate of interest comparable to those of our competitors, British industry will respond. It is essential that in our factories we can get back once again to economic runs and particular stock levels, as well as replacing much of our worn machinery. The tax incentives proposed by the Grylls study group will create the investment led boom which will pull this country out of the present deep recession.

D. T. A. Young.
The Union of Independent Companies,
71, Fleet Street, EC4.

The art trade's credibility and the premium

From Mr H. Leggatt

Sir,—Mr David Mason (October 29) suggests a "cover-up" by the British Antique Dealers' Association and the Society of London Art Dealers over alleged collusion by Sotheby's and Christie's in connection with the introduction in 1975 of the controversial 10 per cent buyers' premium.

It is indeed puzzling that neither art trade organisation has furnished the Office of Fair Trading with "any details of the evidence which they had intended to place before the Court, or of the witnesses they were proposing to call." I confirm that this quotation came in a letter to me dated October 23 from Mr Gordon Borrie, the director general of Fair Trading. He did, however, add "needless to say, if they, or anyone else believe that they have information which would be of use to me in my review, I should welcome hearing from them."

In view of the fact that Mr Borrie represents in his official capacity the public interest, it would surely be right for the BADA and SLAD to furnish him with all the information in their possession.

It should never be forgotten that the Department of Trade, of which the Office of Fair Trading is a part, is vital to dealers and auctioneers alike and the entire art trade's credibility and good working relationship rest on wholehearted co-operation with Ministers and officials alike.

Hugh Leggatt.
Leggatt Brothers,
17, Duke Street, St James's SW1.

UK COMPANY NEWS

Yarrow dives £1.6m: payout held

DESPITE MOVING back into profit in the second six months the severe recession in engineering together with the restrictions on local authority spending and cuts in defence expenditure have seriously affected the trading performance of Yarrow and Company.

For the year to June 30, 1981 taxable profits slumped from £1.65m to £53,000 on turnover lower at £17.21m, compared with £18.38m. Midyear taxable losses were £164,000 (£330,000 profit).

However, after a tax credit this time of £558,000, against a charge of £721,000, the net balance for the 12 months emerged £318,000 down at £611,000.

The directors say that strenuous efforts have been made to adapt to the exceptional trading conditions. This has entailed the closing down of Yarrow Engineering (Glasgow) and the cessation of activities at the Canterbury division of Control Systems. The actions have resulted in 250 employees being declared redundant.

Sir Eric Yarrow, the chairman, says the slimming down and the reorganisation which has taken place throughout the group, whose interests include maritime and engineering consultancy, engineering and ticket systems, will make the companies more competitive.

He says they are now better placed to take advantage of a recovery in trading conditions.

Improved trading results are expected for the current year and this, coupled with new products and a strong balance sheet, gives the directors confidence for the future, the chairman adds.

The final dividend is maintained at 5.65p for a same-again total of 8.15p net per 50p share.

Trading loss for the year rose from £397,000 to £1.35m. The pre-tax profit included investment income and interest higher at £1.26m (£1.14m) and a profit from the sales of investments which totalled £458,000 (£260,000). Group central costs, however, advanced from £169,000 to £319,000. Last year's figures included retrospective interest on compensation stock of £816,000.

At the attributable level profits came through at £612,000 (£4.1m) after a credit for exchange differences of £38,000 (nil), crediting minorities of £7,000 (£3,000 debit) and extraordinary debits of £44,000 (£3.17m credit).

The extraordinary item comprised deferred tax provision on compensation gain no longer required of £418,000 (nil) and net after-tax costs for closures and redundancies which amounted to £462,000 (£93,000). The figure also included loss on sales of fixed assets. Last time there was a capital gain of £4.3m less a £1.03m provision for deferred tax.

During the year a large proportion of the Govenment stocks issued as compensation was realised and the proceeds reinvested. Accordingly, annual interest received from these investments and from the balance of original compensation stock is no longer shown as a separate item but is included in income from listed investments—an adjustment has been made to the results for 1979/80 figures.

On a CCA basis there was a pre-tax loss of £1.21m.

Shareholders have already been advised that an application has been submitted to the European Commission of Human Rights regarding the inadequate compensation received for Yarrow (Shipbuilders). The commission has requested the Government to submit its observations on both the admissibility and merits of the company's case. The directors consider this to be an encouraging step forward but say it is too early to give any prediction of the likely outcome of the litigation now in process.

As already indicated, the directors have been examining the possibility of returning to shareholders a portion of the compensation monies and a satisfactory method of carryying out such a repayment has been identified. However in view of the uncertain economic situation and also the absence of any positive indication of the likely outcome of the legal proceedings at Strasbourg, no decision with regard to repayment will be made this year but the matter will be reviewed again during 1982.

● comment

That Yarrow has achieved a token pre-tax profit for the year and maintained its dividend is entirely due to its status as a holder of gilt-edged stock, received from the Government after nationalisation. The portfolio had to be reshuffled this year when part of the compensation stock matured, adding a book-profit of £458,000 to investment income of £1¼m. That was just enough to balance the loss from Yarrow's trading operations. Roughly half of the loss was predictably incurred in heavy engineering, before that activity was wound up. But Control Systems, which makes transactions-processing equipment (ticket machines) has run into more trouble than expected. Since Y-ARD, the marine engineering consultancy has remained reasonably profitable, Control Systems must have lost something in the region of £1m before tax. Control is to be persevered with, in expectation of renewed ordering from the public sector. Meanwhile, Yarrow shareholders must hope that the rationalisation of Control's production will mitigate losses. The shares rose 15p to 235, a reaction which may owe something to the board's non-committal indication that a satisfactory way of repaying capital has been identified.

HIGHLIGHTS

In a general run-down of the stock market's performance yesterday, Lex looks at the trend of U.S. interest rates, the Government Broker's supply of the long tap and the healthy response to the Cable and Wireless flotation. The column also examines **Clyde Petroleum's** $60m purchase of what is effectively a tax shelter in the North Sea though the acquisitions of City Investing. Lex, finally, picks up the story of **Associated Communications Corporation** with the dawn raid by Mr Holmes A' Court for a further substantial stake in the group's non-voting stock. Elsewhere, **Hanson Trust** has extended its offer for **Berec**, the battery maker, despite the higher terms now being pitched by **Thomas Tilling**.

Cluff Oil loss at £0.97m for half year

FOR the first half of 1981, pre-tax losses of Cluff Oil, which has interests in petroleum exploration and exploitation and technical services, totalled £0.97m. This compares with a deficit of £3.16m for the previous year.

Turnover for the period amounted to £39,776 (£66,658 for the year). The trading loss was £207,234 (£437,357), and the taxable deficit was struck after £761,841 (£2.72m) for exploration expenditure written off.

Tax took £3,815 (£45,333). There were minority losses of £225,772 (£835,113) and this left the retained deficit at £747,118, compared with £2.37m for the 12 months which was after extraordinary credits of £361.

Since the end of the half year the company has disposed of its interest in Guatemala, and consequently exploration expenditure of £1.3m has been excluded from the interim results. The expenditure will be accounted for as an offset against the U.S.$5m cash receivable on the disposal of this interest.

Including the directors' valuation of the Buchan Royalty Units, group investments as at October 28, 1981 stood at £16.4m. This compares with a book value of £5.5m.

In Singapore a subsidiary company, Cluff Oil (Singapore), was formed earlier this year. In addition to owning 30 per cent of Cluff Oil Inc., the company is acquiring a portfolio of Malaysian and other international exploration interests.

There have been a number of developments in Australia, perhaps the most significant of which was the award of Permit VIC/P17 in the Bass Strait (Gippsland Basin) to a consortium in which Cluff Oil (Australia) NL ("COA") owns 12½ per cent.

In addition, there has been the discovery of a new gas accumulation at Royston 3.4 km south-west of Beldene in the Surat Basin.

Elsewhere a total energy package covering 9,930 sq km in the Clarence Moreton Basin in New South Wales was awarded in January 1981.

Within the last month two substantial shareholdings have been acquired in COA—20 per cent by Hartogen Energy and 15 per cent by Weeks Australia. Subsequently, Hartogen has announced a partial offer to acquire a further 20m contributing shares which, if successful, would increase its holding to 57 per cent.

The market value of the company's interest in COA, as at October 28 1981 was in excess of £5.3m.

In Canada the wholly-owned subsidiary, Cluff Oil Canada, received approval from the Foreign Investment Review Agency of Canada to begin exploration and production activities in May of this year. To date the company has participated in the drilling of two wells, both of which were completed as gas producers. Four additional wells are planned for drilling after November 1 to test seismic anomalies on farm-in lands in the prolific Keg River Reef Play of North Western Alberta. The company has also acquired at Crown Sales interests varying from aproximately 2 per cent to 10 per cent in prospective lands totalling 17,280 gross acres in seven different areas of Alberta.

The Buchan Field in the North Sea commenced production in May and to date 5.7m barrels have been recovered. It is anticipated that the first payment on the convertible "A" share warrants will be made in February 1982.

The company has increased its stake in C.C.P. North Sea Associates to 29.9 per cent. It disposed of one-third of its holding in Graig Shipping Company for £503,000, representing a profit of some £388,000. It has retained a 10 per cent interest in Graig, which has recently been awarded an onshore production licence over 120 sq km in the area around Basingstoke in Hampshire.

A 5 per cent equity interest in Common Brothers was acquired in August, following that company's acquisition of 80 per cent of an international offshore drilling company, IRO Drilling.

In Ohio 16 wells have been drilled and completed as producers this year, in addition to the 20 wells completed last year, with a further eight wells planned. A total of five wells are currently producing with a furthed 31 wells expected on production in the near future. The company's interest in these wells ranges from 15 per cent to 50 per cent.

Audiotronic in loss at midyear

Audiotronic Holdings, the electronics distributing company lost £121,000 in the 6 months to August 31 against a loss of £145,000 in the first half of 1980, on turnover lower at £4.15m, compared with £6.1m.

Mr Alexander Macpherson, chairman, said yesterday that Eagle, the group's audio equipment arm, is trading profitably and the group's improved balance sheet has led to a reduction in interest charges.

Audiotronic has reduced borrowings by more than £1m in the past two years. The company's net worth has dropped from £5.9m to £1.76m in the same period and its financial performance is under regular review by its bankers.

Mr Macpherson said the group's UK losses were largely due to "smaller factors" and that corrective action has been taken. Referring to Allwave, its Dutch operation, the chairman said that last year's benefit from the citizen band radio boom could not be repeated. Last year Allwave produced profits of £228,000. The group is now facing "very much more difficult" trading conditions in the Netherlands.

The rest of the year is expected to provide some seasonal improvement but further recovery is likely to be slow. The directors do not yet foresee the payment of a dividend on the preferred or ordinary share capital.

Jessel Tr. leaps to £40,000

Following its £800,000 rights issue in March, Jessel Trust has reported pre-tax profits for the year to June 30, 1981, of £40,000, compared with £9,000 in 1980.

Mr Oliver Jessel, who resigned last week from the board of Charles Clifford Industries, says in his chairman's report that Jessel Trust "has gained new impetus following the capital reorganisation" this spring.

Although the accounts to June 30 do not include any investment in oil and gas financing, by the end of September the company's resources were fully invested, with a heavy emphasis on gas production.

Lifeguard Assurance progress

Continued progress in its operation is reported by Lifeguard Assurance for the year to June 30, 1981.

The company which ran into financial difficulties in 1975 last year reported that it had fully recovered from its problems of five years ago, and that shareholders funds had been restored to their former levels, prior to the troubles.

This year, the further progress is reflected in higher bonuses for policyholders, an increase in shareholders' funds and the introduction of a profit sharing scheme for the staff.

The report shows that income for the year declined from £9.58m to £8.75m, a drop to be expected since the company ceased writing new business in 1975. Claims payments and expenses, however, were very much lower at £6.55m against £9.34m.

The bonus rate on with-profit policies is lifted from 27 per cent to 30 per cent of premiums paid, while the terminal bonus to also improved from 27 per cent to 30 per cent of premiums paid since June 30, 1981.

ALLIED-LYONS

Allied Breweries change of name to Allied-Lyons PLC became effective from October 30 last.

SPAIN

October 30	Price %	+ or −
Banco Bilbao	330	+6
Banco Central	324	+12
Banco Exterior	308	+8
Banco Hispano	315	+15
Banco Ind. Cat.	117	
Banco Santander	384	+5
Banco Urquijo	213	+3
Banco Vizcaya	352	+8
Banco Zaragoza	216	
Dragados	146	+7
Espanola Zinc	70	
Fecsa	70.2	+1.5
Gal. Preciados	39	
Hidrola	79.2	+2.5
Iberduero	80	+2.3
Petroleos	106	+5
Petroliber	82	
Sogefisa	51	
Telefonica	79.2	+1.2
Union Elect.	75	+2

Graig leaps to £2m at halfway

INCLUDING a £1.14m exchange profit and much higher short-term deposit interest of £761,726, against £111,471, profits of the Graig Shipping Company jumped from £651,224 to £2.01m for the half-year ended September 30, 1981. Again no tax figure is given.

The interim dividend is unchanged at 10p net per £1 share—last year's final was 15p paid from pre-tax profits of £932,738 (£836,880).

Above the line, ships' depreciation charge was £241,351 compared with £344,637.

The company has disposed of its motor vessel, Garthnewydd, which has resulted in a surplus on sale of £5.67m.

The group's vessels are engaged in worldwide bulk cargo trade. Other interests are travel agency and oil and gas exploration.

● comment

Graig has made a few sharp tacks in the past six months: The company sold the m/v Garthnewydd in February for $18.5m just before the bottom dropped out of the market. It then held on to its dollars and exchanged them at 1.86 to reap a handsome currency profit. With trading profits down by nearly two-thirds and the bulk shipping market still stagnant, this cushion is well-needed. The group's property interests, travel agency and exploration activities are all struggling. In the meantime, the balance sheet remains strong. Pre-tax profits for the full year are not likely to advance beyond the half-year level, which means the thinly-traded shares, up £2 to £21 yesterday, have a prospective fully-taxed p/e of nearly 11.

E. Upton sees better second half

HIGH LOCAL rates of unemployment are continuing to affect the business of department store operator E. Upton and Sons, says Mr John Upton, chairman, in his interim statement.

It has taken longer than anticipated to achieve the benefits the company requires from its new merchandise policies, but there are signs that these are now bearing fruit.

The second half of the year to the end of January is normally the contributory factor in achieving profitability he says and the full year should reflect continued progress.

As already known the company incurred taxable losses of £50,670 (£108,110) in the half year to August 1 1981 on turnover of £2.75m (£2.54m) and omitted its interim dividend (0.5p net per 25p share). No final was paid last year.

Greencoat Props. losses reduced

ATTRIBUTABLE LOSSES of Greencoat Properties were reduced from £161,000 to £16,000 for the year ended June 30 1981, and directors say that now the problems in France are coming to an end, the company is in a sound position to take advantage of new investment and development opportunities in the UK.

Turnover of this property investment and development concern was well down at £1.59m, compared with £5.09m, but as previously explained it is a result of a reduction in the volume of sales of apartments as the company approaches the end of its Grancanal development in Paris.

Existing banking facilities will permit an increasing development programme, directors state, and steps have been taken to get this started. The board has every confidence that the activities of Mr David Houghton—appointed managing director in August—and his team "will materially improve the net worth of the group in the coming years."

Attributable loss for the year was after interest, little changed at £370,000 (£368,000) but after an extraordinary credit of £128,000 (£4,000 debit) which was transferred to (from) reserves. Loss per share is given as 0.15p (0.51p).

The directors say the group's fortunes continued to steadily improve during the year. Net assets amounted to £3.3m at the year end, compared with £3.19m a year earlier, and do not include any surplus over book value in respect of investment or dealing properties.

The inclusion of this surplus would, in the directors' opinion, substantially increase the group's net asset value.

In the UK the group's development activity has continued to be concentrated on the mixed office and retail development at Kingston-upon-Thames. Construction was completed during the year in accordance with budget and of the eight retail shops contained in the development, six have been left and two are under offer. The office accommodation is currently being marketed, directors state.

During the year the property at Eastbourne was sold realising a surplus over-book value of £128,000.

Although the legal problems in Paris resulting from the cancellation of the building permit are not finally resolved, Greencoat has now been able to recommend sales of the remaining apartments.

At the year end 18 apartments, two shops, car parking spaces and storage areas remained unsold—sales or firm reservations have been received in respect of nine of these apartments and 56 car parking spaces.

In the board's view no further provision is necessary for losses on the Grancanal development.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Brent Walker ....int	0.35	Dec 11	0.35	—	1.75
Graig Shipping ....int	10	Dec 15	10	—	25
Philip Hill Inv.	2.05	Dec 18	1.8	—	6.1
New Sylhet	3.5	—‡	nil	3.5	nil
Oceana Consl.	1.5	Dec 17	1	1.5	1
Yarrow	5.65	—	5.65	8.15	8.15

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ As and when sufficient funds received from Bangladesh. § Increased to reduce disparity with final.

DOWDING AND MILLS

The directors of nationwide electrical and mechanical repair engineer, Dowding and Mills, expect the results for the current half year, to December 31 1981, to be ahead of the comparable period last year, Mr Peter Hollings, chairman, told the company's annual meeting in Birmingham yesterday.

Portfolio I Income	Offer	69.29
	Bid	68.39
Portfolio II Capital	Offer	143.37
	Bid	142.53

THE TRING HALL USM INDEX
111.1 (+0.8)
close of business 2/11/81
BASE RATE 10/11/80 100
Tel: 01-638 1591

CORAL INDEX
Close 478-483 (+14)

OIL INDEX
December Refined $43.85
January Refined $44.30

M. J. H. Nightingale & Co. Limited

27/28 Lovat Lane London EC3R 8EB Telephone 01-621 1212

1980-81 High	1980-81 Low	Company	Price	Change	Gross div. (p)	Yield %	P/E Actual	P/E Fully taxed
114	100	ABI Hldgs. 10pc CULS	110	+ 2	10.0	9.1	—	—
78	39	Airsprung	67	—	4.7	7.0	10.8	14.7
52	21	Armitage and Rhodes	43	—	4.3	10.0	3.6	8.1
200	92½	Bardon Hill	193	+ 1	9.7	5.0	9.4	11.4
104	88	Deborah Services	97	—	5.5	5.7	4.8	8.1
126	88	Frank Horsell	118	+ 2	8.4	5.4	10.8	25.7
110	39	Frederick Parker	60	+ 1	1.7	2.8	25.1	—
110	49	George Blair	49	—	—	—	—	—
102	83	IPC	96	—	7.3	7.6	8.9	10.4
113	59	Jackson Group	98	—	7.0	7.1	3.1	7.0
130	103	James Burrough	110	+ 2	8.7	7.9	8.0	10.1
324	244	Robert Jenkins	292	+ 2	31.3	10.7	4.1	10.3
59	50	Scruttons "A"	54	—	5.3	9.8	8.3	7.7
224	182	Torday	182	− 5	15.1	8.3	7.0	12.1
23	8	Twinlock Ord.	14	—	—	—	—	—
90	66	Twinlock 15pc ULS	77	—	15.0	19.5	—	—
56	33	Unilock Holdings	34	—	3.0	8.8	6.1	10.3
103	81	Walter Alexander	83	− 1	8.4	2.7	5.5	9.7
263	181	W. S. Yeates	225	—	13.1	5.8	4.3	8.7

UK COMPANY NEWS

Brent Walker higher for first six months

TAXABLE PROFITS of Brent Walker, the leisure group, improved to £216,178 for the 28 weeks to July 12, 1981, which compares with £128,604 for the same period last year after debiting £111,213 for directors' compensation.

The directors say the results were achieved against a background of recession and high interest rates. However, to reduce borrowings the group made loan repayments during the half year of some £2m and consequential savings in interest will be seen in the second six months.

Turnover for the 28 weeks rose from £4.65m to £5.38m and the pre-tax surplus included rents received of £5,587 (£93,450) and was after interest of £525,974 (£561,423).

Tax took £112,413 (£67,000) and after extraordinary credits of £1m (£35,292), comprising in the main a realised profit from the sale of the group's interest in Camera Effects, the attributable balance emerged at £1.11m, against £96,896.

Stated earnings per share before extraordinary credits were 1.48p (0.88p) but the net interim dividend is being maintained at 0.35p per 5p share—for 1980 a total of 1.75p was paid from taxable profits of £280,000 (£930,000).

The directors point out that the general state of the country's economy has effectively increased the intensity of competition for the leisure industry. However, the group was able to improve the operational efficiency of its trading activities and is more than holding its own, with the sporting, banqueting and leisure activities performing well and the new banqueting suite at the country club more than exceeding expectations.

The group is also maintaining its development into areas which the directors feel will show the best return on its capital. It is well placed to take advantage of the world-wide video software market.

The directors say this industry has shown an extraordinary growth in the past year and they believe its expansion will continue at an even greater rate. With this potential in mind the group has embarked on the production of the Gilbert and Sullivan operas, "specifically staging these definitive classics for the world's television and video media." The directors are confident that the impact on the group's profits in the short, medium and long terms, will "be substantial"—reflecting a recurring demand for product of this quality.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims—Bradford Property Trust, Clement Clarke, Continental and Industrial Trust, Ellis and Goldstein, Great Portland Estates, Hartwells, Reed International, Roberts Adlard, Scotcros, Sketchley, Tongaat Coragroup, Tozer Kemsley and Millbourn.

Finals—Martonair, Moben, Singapore Para Rubber Estates.

FUTURE DATES

Interims:—

Associated British Foods	Nov 11
British-Borneo Pet. Syndicate	Nov 5
Foster (John)	Nov 23
French Kier	Nov 26
Hunting Gibson	Nov 5
Seccombe Marshall & Campion	Nov 9
United. Electronic	Nov 18
Whitbread Investment	Nov 17

Finals:—

Beazer (C. H.)	Nov 9
Manganese Bronze	Nov 4
Morland	Nov 12
Northern American Trust	Nov 19
Speedwell Gear Case	Nov 6

First half advance by Sidac

DESPITE A fall in sales from £29.22m to £28.92m, pre-tax profits of British Sidac advanced from £465,000 to £626,000 in the first half of 1981.

In the last full year this maker of transparent cellulose film, which is a subsidiary of UCB (Investments), turned in a profit of £222,000.

On prospects the directors say trading conditions remain difficult due to continuing increases in prices of raw materials and energy, which it is not proving possible to recover in selling prices, owing to the overcapacity in the industry throughout the world.

Seven per cent of F. Austin rights taken up

The recent one-for-24 rights issue of 500,000 11.75 per cent partly convertible redeemable preference shares 1994 of £1 each at par has been taken up as to 34,923 shares (6.98 per cent).

The balance, amounting to 465,077 shares, has been taken up by Industrial and Commercial Finance Corporation (ICFC) under the terms of the underwriting agreement. This balance includes the allotment of 200,573 shares to certain directors and their families who had agreed to renounce their entitlement in favour of ICFC.

Oceana Cons. moves ahead to £114,561

Attributable profits of investment trust Oceana Consolidated Company rose from £100,664 to £114,561 in the year to March 31 1981. Gross income was £35,337 higher at £202,520.

The dividend for the 12 months is set at 1.5p (1p) net per 25p share while earnings per share are given as 5.61p (4.93p).

At the interim stage the company was already ahead with net profits of £29,318 (£24,303).

Marlborough halftime loss cut to £73,000

TAXABLE LOSSES of Marlborough Property Holdings for the first half of 1981 came out at £73,000, compared with £207,000 last time, and second-half profits in 1980 of £366,000. Turnover for the six months was £97,000 higher at £297,000.

Mr Martin M. Lange, chairman, says that his earlier forecast that gross rental income for 1981 would not be less than £590,000 will be exceeded, and on an annualised basis the current rental income is running substantially in excess of this figure.

Lettings are proceeding satisfactorily on all the company's developments and the directors are confident of the group's outlook.

Terms have been agreed for the sale of a major development which, subject to its completion before the year-end, will result in a substantial overall profit well in excess of last year's figure, Mr Lange says.

The directors are considering the transfer of certain completed developments to the investment portfolio and hope that these transfers will be made before the end of the year thereby strengthening the company's assets.

The joint development at Frimley through the company's associate Albany Commercial and Investment Developments is proceeding satisfactorily and part of the first phase is pre-let. The directors expect profits from this development will start to accrue in the company's accounts in 1982.

Sales of properties—other than investment properties—to June 30 amounted to £482,000 (£877,000) and there were extraordinary credits of £75,000 (£22,000) after a nil (same) tax charge.

Losses per 5p share are given as 0.37p (1.21p).

Priest Marians £36,553 in the red

IN THE year to April 30 1981 giftware importer Priest Marians Holdings slumped from taxable profits of £39,343 to losses of £36,553, on turnover £322,237 down at £373,515.

At the half-year stage the company was already in the red with pre-tax losses of £10,600 (£22,900 profits) and turnover was well down at £266,000 (£497,000).

The year's single dividend, ever, is being maintained at 5.74p however ,is being maintained at 5.74p net per £1 share. Losses per share are stated at 19.68p (19.9p earnings).

Tax took £340 (£2,888).

58 winding up orders

Compulsory winding up orders have been made against 58 companies by Mr Justice Vinelott in the High Court.

They were: Milford Haven Protein Co., Foxdawn (formerly Cortina Windows), Halric Designs, Merry Brothers, and Barna Contractors.

Containerwheel, Crimpstar Fabrics, Kenyard, Sutton Straithe (Boat Hire), Reefbeck and J. D. Ross.

Clickdean Distribution, Green Road Self Build, Caddonwell, Brian's Coaches and Mini-Buses, Camlad Construction Co., and Cheaming.

Fulbute Investments, H. Oliver and Sons Clothing Manufacturing pany, Lucypark, Rota Spedition, pany, Luvypark, Rota Spedition, and Volpoint Properties.

Quest Computer Systems, Spacemaker Motor Caravans, Litcor International, Woking Computer Personnel, Classic Climates, Park Crescent Garage (Sussex), and Eamon Baird (Reinsurance Brokers).

Dirlow, Stanley H. Thorn and Company, Alexway Finance, Lorien Textiles (UK), Masgate, and Amorglow Building.

Roundlake, Wharf Mill Furnishers, Rigidring, Traction Music, Dynalectric, and Brinlock.

Sir Philip Rodrigo and Son, D. Hales, R. G. Attwater, Roger Coopey, W. A. Sass, Athole G. Allen, and Carats of London.

Chaseoak, Hantsgreen, Lisbope, Square Deal Sewing Machines, S. Sporting Promotions, Trading and Funding International, Hillcon, Matstock, and Betta Odds (Turf Accountants).

Little change at Solex (UK)

Slightly lower losses of £450,000 against £474,000 are reported by Solex (UK) carburettor manufacturer, for the six months to June 30, 1981. Turnover was also lower at £5.17m compared with £7.26m.

The pre-tax figure was struck after depreciation of £160,000 (£176,000), an exceptional credit of £30,000 (£561,000 debit) and income from trade investments, £210,000 (£201,000). There was no tax, against a 235,000 credit last time, leaving the attributable loss at £450,000 (£239,000).

There was a loss per 50p share of 7.6p (4.1p).

The exceptional items represent the profit on the sale of trade and quoted investments of £172,000, less re-organisation and redundancy payments of £142,000. The sale of investments were shown as extraordinary items in the figures for the six months to June 30, 1980 with figures adjusted accordingly.

The ultimate holding company of Solex (UK) is Matra SA (France) through Solex Ltd.

Hunt Chemical up in third quarter

Pre-tax income from continuing operations at Philip A. Hunt Chemical Corporation, the US manufacturer of specialty chemicals in which Turner and Newall has a 63.5 per cent stake amounted to $2.06m in the third quarter of 1981, compared with $1.71m for the same period in 1980. Income before tax for the year to date totalled $5.05m against $1.62m.

Sales by the New Jersey based company were $82.2m ($79.7m) of which $27.5m ($25.8m) arose in the third quarter. Operating profit for the year to date was $5.36m ($7.48m) of which $1.6m ($1.8m) came in the third quarter.

With losses on discontinued operations and on unrealised foreign exchange conversions of $1.68m ($0.13m) for the nine months, total net income amounted to $2.72m ($4.31m).

Although sales to the photographics industry have increased more than 10 per cent over the third quarter of 1980 and sales of the organic chemicals division have also risen sharply, sales to the electronics industry and of electrostatic toners have remained relatively flat.

Sales and profits of Hunt's European operations have been reduced by the strength of the dollar, but if the recent strengthening of European currencies against the dollar continues the fourth quarter may be free from the negative impact of currency translation, the directors state.

Companies and Markets

UK COMPANY NEWS

MINING NEWS

Peko-Wallsend makes big new ore find at Parkes

BY KENNETH MARSTON, MINING EDITOR

ANOTHER major discovery of porphyry copper mineralisation has been made by Australia's **Peko-Wallsend** at its exciting copper-gold prospect at Parkes in New South Wales. The new find, named Endeavour 37, was announced by the chairman, Mr George Lean, in Sydney yesterday.

He gave no precise estimates of the size of the new deposit but it is reported that he spoke of "a billion tonnes." This comes at a time when Parkes is already being regarded as having the potential of a major open-pit mining operation similar to that of Rio Tinto-Zinc's Bougainville in Papua New Guinea.

Very limited drilling has been so far carried out at the new area and Mr Lean said that much more work was needed before the potential size of the deposit could be established. Copper grades appear to be very low, assay results ranging from 0.23 per cent to just over 1 per cent copper but they run in huge widths (thicknesses) of mineralisation ranging up to 84 metres.

Peko-Wallsend previously reported an estimated 252m tonnes of mineralisation at the largest three deposits of the seven known centres of copper and copper-gold ore in the Goonumble field near Parkes. Endeavour 37 is six kilometres from the nearest of these seven centres.

Mr Lean revealed that the company has sent tender documents to 11 companies which it saw as potential partners in the development of the field. Whether such low grades would be payable at today's depressed copper prices is a moot point, but at all events Parkes will require open-pit working on a massive scale with capital requirements to match.

Shares of Peko-Wallsend rose 22p to 330p in a generally firm market in Australian mining stocks in London yesterday.

Gold Fields: more Newmont at $46 a share

LONDON'S Consolidated Gold Fields has edged a step nearer its eventual target of a stake of 26 per cent in Newmont Mining of the U.S. with the purchase of a further 415,100 shares, bringing its holding to 4.3m shares or 16.5 per cent.

The interesting thing about the latest purchases, by Gold Fields' U.S. subsidiary Amcon, is the average price paid of around $46 a share, against an average of $55 for a block last week and prices as high as $64 last month.

Lower earnings at Rio Algom

CONSOLIDATED net earnings of the Rio Tinto-Zinc group's Canadian arm, Rio Algom, for the first nine months of this year have fallen to C$51.1m (£22.9m), or C$3.39 per share, from C$60.7m in the same period of last year.

The downturn reflects that at the 68.1 per cent-owned Lornex Mining copper-molybdenum producer which has suffered from lower metal prices and higher costs. Rio Algom's uranium earnings are up this year but earnings from steel are lower in line with reduced profit margins.

However, Rio Algom is maintaining its latest half-yearly dividend at 75 cents (33.6p). RTZ has a 52.7 per cent beneficial interest in the Canadian company.

Benguet's good third quarter

A PICK-UP in earnings during the third quarter at Benguet Corporation, the major producer of gold and copper in the Philippines is described by the president, Mr Jaime Ongpin, as "extraordinary" in view of the weakness of metal prices and the low value of the Philippine peso against the U.S. dollar.

Mr Ongpin ascribed the good performance to substantial gains from gold trading and a record output at Benguet's new Dizon mine which started up in the fourth quarter of 1979.

"We can say with some confidence that full year results for 1981 should be much better than originally expected and would, in fact, exceed the record set in 1980 were it not for unfavourable currency adjustments beyond our control," he added.

After having fallen in the first two quarters of this year net profits improved to US$8.26m (£4.58m) in the third quarter. This brings the nine-month total to $22.8m, equal to 77 cents per share, compared with $27.7m in the same period of last year when the total for the full 12 months was $33.2m.

Meanwhile, Leo Gonmaga reports that a Japanese group led by **Marubeni** and a Finnish group headed by **Outokumpo Oy** were reported this week to be bidding to supply and construct on a "turn-key" basis a 50,000 tonnes-per-day copper mill for the local **Hercules Minerals and Oils** in Mankayan.

The project cost is estimated at $350m (£186m).

Recently, Marubeni increased its equity participation in the local **CDCP Mining** to 38.44 per cent from 15.18 per cent by investing an additional Pesos 101m (£7m) in CDCP.

Using the extra capital inflow, the local firm will expand its copper milling capacity in Basay (Negros Oriental Province, Central Philippines) to 25,000 tonnes per day from 15,000 tonnes.

Round-up

Australia's **North Broken Hill Holdings** mining and investment house reports an estimated net profit for the first quarter of its current financial year of only A$199,000 (£122,500) compared with A$2.48m in the same period of last year. Lower metal prices and higher costs have produced a loss on mining operations before a tax recoupment while investment income has dropped to A$210,000 from A$1.27m.

But NBH says that the latest quarter's net profit is not an indication of the result for a full year. The latest results have been prepared on a conventional consolidated basis. Quarterly results of associated companies, it is stated, are not available to allow preparation of results on an equity consolidated basis. Investment income does not include the group's interests in undistributed net profits of associated companies.

* * *

British Petroleum's Australian subsidiary **Seltrust Holdings** reports lower production during the September quarter from its interests in the Agnew nickel mine and the Mount Newman iron ore venture. Initial commercial production started at the 60 per cent-owned (**MIM Holdings** has the rest) Teutonic Bore copper-zinc-silver mine in Western Australia.

* * *

Australia's **Bond Corporation**, natural resources, brewing, property and industrial investment group, is poised for further growth and would like to increase its stake in the Ashton diamond joint venture in Western Australia by a further 10 per cent, said Mr Alan Bond at the Perth meeting. He added that the Bond group's **Endeavour Resources** would be completing its acquisiton of Northern Mining (which holds a 5 per cent stake in Ashton) as soon as possible.

No final from Falcon

The major gold producer on Zimbabwe, **Falcon Mines**, is not to pay a final dividend for the year to September 30 last following the already paid interim of 25 cents (19p). For the previous year dividends totalled 205 cents.

The decision to omit a final dividend is stated to arise from the fact that the year's profit has been fully utilised on capital projects, to the lower level of profitability and to the need for a continued high rate of capital spending in the first half of the current year.

Net profits for the year to September 30 come out at Z$5.05m (£3.85m) compared with Z$7.36m in 1979-80. The company warns that the mining profit in the current year is expected to be no more than half of that for 1980-81.

Following the latest results, shares of Falcon Mines dropped 50p to 150p yesterday.

Option on Avana shares exercised

Northern Foods has exercised its option taken out in September to acquire 3.03m ordinary shares in *Avana Group* at 250p from family companies controlled by Sir Julian Hodge and certain other directors of Avana.

Northern now holds 6.9m ordinary shares in Avana (20.5 per cent).

Sir Julian Hodge, Mr H. W. Morris, Mr J. R. Taylor, Mr W. P. Thomson and Mr H. M. Gwyther have resigned as directors of Avana and its subsidiaries following the disposal of their beneficial holdings.

Dr John Randall has been appointed chairman. A member *of the board of Northern Foods* will be joining the Avana Group board in due course.

Avana has acquired the whole of the issued share capital of Markus Coffee Company for £200,000 cash.

As at October 31 1980 Markus had net assets of £69,412.

The company sells roast and ground coffee from leasehold premises in Connaught Street, near Marble Arch, London.

It is the intention of Avana to develop the business in conjunction with that of its existing roast and ground coffee business, Costa Rica Coffee.

Reliance Knit. loses Japanese shoe contract

Reliance Knitwear the UK garment manufacturer has lost its franchise to sell Nike sport shoes in Britain. *It had been* distributing the Japanese shoes since 1978 and its contract was due to run until May 1982. The Japanese company intends to distribute the shoes in the UK itself.

The Nike contract was terminated on Sunday and as a result Reliance Sportswear a subsidiary of Reliance, will release more than £1m in respect of stocks and debtors. At the balance sheet date of April 30, 1981, total current assets of Reliance amounted to £6.9m.

MIDLAND BANK STATISTICS

Statistics compiled by Midland Bank show that the amount of "new money" raised in the UK by the issue of marketable securities in October was £146.9m—less than half the sum raised in the previous month. The two issues for use overseas—the "bulldog" sterling bond from the Province of Nova Scotia (£29.2m) and the capital injection of £35m into Cable and Wireless associated with the Government's offer for sale—accounted for over two-fifths of the total.

LONDON TRADED OPTIONS

Oct. 30. Total Contracts 1097. Calls 959. Puts 138.

Option	Ex'rcise price	Jan. Closing offer	Jan. Vol.	April Closing offer	April Vol.	July Closing offer	July Vol.	Equity close
BP (c)	260	58	90	70	—	—	—	310p
BP (c)	280	42	20	48	1	—	—	"
BP (c)	300	27	25	38	31	48	—	"
BP (c)	330	17	12	—	—	—	—	"
BP (c)	330		—	25	10	36	1	"
BP (c)	350	7	15	—	—	—	—	"
BP (p)	260	5	6	8	—	—	—	"
BP (p)	280	8	—	15	5	—	—	"
BP (p)	300	14	—	22	1	30	—	"
CU (c)	130	13	—	19	6	23	—	498p
CU (c)	140	8	—	13	5	17	—	"
CU (c)	200	1	6	3	—	—	—	"
Cons. Gld (c)	500	37	9	53	5	72	—	"
Cons. Gld (c)	550	14	13	52	—	45	—	"
Cons. Gld (p)	550	60	8	65	—	68	—	"
Court'lds (c)	60	2½	—	4	6	8	—	60p
GEC (c)	650	80	7	102	—	132	—	699p
GEC (c)	700	42	6	72	—	95	—	"
GEC (c)	750	22	6	45	64	—	—	"
GEC (c)	800	10	—	25	83	—	—	"
Gr'd Met. (c)	160	14	—	21	—	29	9	159p
Gr'd Met. (p)	160	15	1	17	—	20	5	"
Gr'd Met. (p)	180	25	1	31	—	32	—	"
ICI (c)	240	46	11	64	1	64	—	276p
ICI (c)	260	28	33	38	—	48	—	"
ICI (c)	280	15	48	24	73	34	5	"
ICI (c)	300	8	2	13	—	—	—	"
ICI (p)	260	10	8	16	—	20	—	"
ICI (p)	380	18	—	26	2	30	—	"
ICI (p)	300	30	2	36	—	—	—	"
Land Sec. (c)	286	22	9	37	—	—	—	296p
Land Sec. (c)	312	11	1	—	—	—	—	"
Land Sec. (c)	336	6	10	—	—	—	—	"
Mks & Sp (c)	120	5	—	—	4	14	—	115p
Shell (c)	300	94	—	106	1	—	—	386p
Shell (c)	360	40	38	52	2	64	—	"
Shell (c)	390	18	80	30	4	44	—	"
Shell (c)	420	7	—	11	7	—	—	"
Shell (p)	300	2½	5	5	—	—	—	"
Shell (p)	360	12	13	15	5	16	—	"
Shell (p)	390	24	1	28	—	30	—	"
Shell (p)	420	38	3	42	—	—	—	"
		November		February		May		
Barclays (c)	420	5	2	27	—	35	—	408p
Barclays (c)	460	2	2	13	—	20	—	"
Imperial (c)	60	2½	—	5½	5	6	—	60p
Lasmo (c)	460	35	—	70	—	32	1	487p
Lasmo (c)	500	10	—	42	—	62	1	"
Lasmo (c)	550	8	—	28	6	41¼	—	"
Lonrho (c)	70	8	—	10½	2	13½	12	76p
Lonrho (c)	80	1½	—	6	16	8	—	"
Lonrho (c)	90	1	—	3½	—	5	4	"
Lonrho (p)	70	1	4	4	10	5	—	"
Lonrho (p)	90	15	1	17	—	18	—	"
P & O (c)	90	14½	—	18½	—	22	5	104p
P & O (c)	100	5½	25	9½	9	14	—	"
P & O (c)	110	1	—	6	—	8½	6	"
P & O (c)	120	1	—	3	10	5½	—	"
Racal (c)	390	15	5	35	—	48	—	393p
Racal (c)	420	5	—	21	1	33	1	"
Racal (c)	460	2	1	12	1	20	—	"
Racal (p)	360	3½	7	18	5	25	—	"
Racal (p)	390	12	25	28	1	35	—	"
Racal (p)	420	35	6	43	1	48	—	"
Racal (p)	460	73	5	75	—	78	—	"
RTZ (c)	420	57	25	74	—	87	—	473p
RTZ (c)	460	24	3	52	2	57	4	"
RTZ (c)	500	7	20	40	7	57	—	"
RTZ (c)	550	4	—	25	37	37	—	"
RTZ (p)	460	18	2	22	—	27	6	"
RTZ (p)	500	44	2	45	2	47	—	"

C=Call P=Put

EUROPEAN OPTIONS EXCHANGE

Series		Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	May Vol.	May Last	Stock
GOLD C	$425	5	16	—	—	—	—	$430.50
GOLD C	$450	2	6	1	25	—	—	"
GOLD C	$475	2	1.50	20	16	—	—	"
GOLD C	$500	1	1.10	—	—	—	—	"
GOLD C	$525	3	0.10	—	—	—	—	"
GOLD P	$400	5	3	—	—	3	10 B	"
GOLD P	$425	80	7.50 B	—	—	—	—	"
GOLD P	$450	60	25	—	—	—	—	"
		Dec.		March		June		
GM C	$45	—	—	15	[illegible]	—	—	$38[illegible]
		Jan.		April		July		
ABN C	F.300	10	0.50	—	—	—	—	F.281.50
AKZO C	F.20	19	2.80	10	3.50	—	—	F.21.60
AKZO C	F.22.50	73	1.60	—	—	—	—	"
AKZO C	F.25	69	0.70	17	1.30	—	—	"
AKZO P	F.22.50	8	1.60	—	—	—	—	"
HEIN C	F.50	50	1.20	—	—	—	—	F.48.10
HOOG C	F.15	58	0.90	—	—	—	—	F.14.50
HOOG C	F.17.50	—	—	—	—	5	1.20	"
HOOG P	F.15	5	1.20	—	—	—	—	"
KLM C	F.90	96	12	—	—	—	—	F.98.60
KLM C	F.100	280	5.30	3	13.20 B	—	—	"
KLM C	F.110	141	5.20	20	9.80	—	—	"
KLM C	F.120	114	2.90	47	6.10 B	—	—	"
KLM C	F.130	147	1.80	—	—	—	—	"
KLM C	F.140	57	1	—	—	—	—	"
KLM C	F.150	78	0.60	—	—	—	—	"
KLM P	F.80	131	1.80	—	—	—	—	"
KLM P	F.90	62	3.70	20	6.50	—	—	"
KLM P	F.100	16	8.50	—	—	—	—	"
NEDL C	F.140	33	9	30	15	—	—	F.142
NEDL C	F.150	—	—	5	9	—	—	"
NEDL C	F.160	36	2.50	—	—	—	—	"
NEDL P	F.130	10	1.80	—	—	—	—	"
NEDL P	F.140	10	4.50 B	—	—	—	—	"
NEDL P	F.150	3	10 A	—	—	—	—	"
NATN P	F.105	5	1.70	—	—	—	—	F.108.50
NATN P	F.110	5	4	—	—	—	—	"
PHIL C	F.17.50	—	—	—	—	5	3.90 B	F.19.90
PHIL C	F.20	387	1.10	152	2.10	38	2.40	"
PHIL C	F.22.50	408	0.50	187	1	3	1.20	"
PHIL C	F.25	5	0.30	13	0.50	—	—	"
PHIL C	F.27.50	30	0.20	—	—	—	—	"
PHIL P	F.17.50	150	0.50	—	—	—	—	"
PHIL P	F.20	211	1.50	66	1.70	30	2.10	"
PHIL P	F.22.50	15	3.10	—	—	—	—	"
PHIL P	F.25	20	5.70	—	—	—	—	"
RD C	F.70	86	18	—	—	—	—	F.86.30
RD C	F.80	273	9.30	59	12.60	—	—	"
RD C	F.90	485	3.70	491	6.80	—	—	"
RD C	F.100	138	1.20	241	3.40	—	—	"
RD P	F.70	193	0.70	—	—	20	2.30	"
RD P	F.80	531	1.90	64	3.20	—	—	"
RD P	F.90	169	5.50	21	6.80	—	—	"
RD P	F.100	—	—	11	14.50	—	—	"
UNIL C	F.140	—	—	10	9	—	—	F.141.50
UNIL C	F.150	20	2.80	—	—	—	—	"

TOTAL VOLUME IN CONTRACTS 6343

A=Asked B=Bid C=Call P=Put

BIDS AND DEALS

Burnett and Hallamshire acquisition

Burnett and Hallamshire, the coal, oil and property group, has bought the assets and trading title of Chartermoor Petroleum in a deal worth £644,000.

Chartermoor distributes fuels and lubricants in the South-east of England. The company's assets, which have a book value of £644,000, include a freehold waterfront site and wharf footage on the Thames.

B and H is to pay £500,000 in cash for the company and issue 14,049 new ordinary shares in B and H with a value of £144,000 based on a price of £10.25 per B and H share. In addition, a further £595,000 may become payable over a period of five years based on the company's trading performance.

The purchase has been made through B and H's subsidiary, UK Petroleum Products. The company said yesterday that the deal complements its purchase in February of Clift Oil, a Kent-based petroleum products company.

ABERDEEN LAND ISSUE AT 450P

Agreement has been reached for the issue of 252,932 new ordinary City of Aberdeen Land Association shares to five, mainly Scottish institutions: Scottish Western Trust, Scottish Northern Investment Trust and clients of Baillie Gifford, Martin Currie and Robert Fleming.

The issue price will be 450p, representing a premium over the market price, as adjusted for the pending scrip issue, of 18.3 per cent. The money raised — approximately £1.1m — will finance the company's current expansion programme and allow it to take advantage of opportunities "which seem likely to arise during the winter months."

The issue is conditional on shareholders' approval at an extraordinary meeting on November 19.

NORTH ATLANTIC SECURITIES CORP.

Shareholders of North Atlantic Securities Corporation unanimously agreed at the extraordinary meeting that North Atlantic should become a vehicle solely for overseas investments.

They also decided that shareholders be given the opportunity of reviewing the success of the new investment policy by bringing forward an ordinary resolution at the annual meeting in respect of the year ending September 30 1983 which, if then passed by the shareholders, would require the directors to hold within three months an extraordinary meeting to consider either the liquidation or unitisation of North Atlantic.

SWINTON INSURANCE

Yorkshire insurance brokers, Chamberlain Robinson and Co, has merged the operations of its five retail branches at Leeds, Bradford, Keighley, Halifax and Shipley, with the Manchester-based Swinton Insurance Group.

Swinton Insurance now operates 70 retail insurance branches mostly in the north west of England and has an estimated annual premiums income of £32m.

BHG TO PURCHASE OUTRA BELTING

Barrow Hepburn Group has announced it is to acquire the assets — other than cash and trade debtors—of Outra Belting and Rubber Company, the engineering distribution subsidiary of Goodyear Tyre and Rubber Company (Great Britain).

The consideration will be based on values at October 31 1981 and is likely to be in the region of £300,000. This is to be satisfied to the extent of £100,000 by the allotment to the vendors of 285,715 new ordinary shares—which Goodyear has agreed to retain for no less than three years—and the balance in cash.

W. CANNING

Electron Distribution, a 75 per cent-owned subsidiary of W. Canning has sold its trading assets to Nounhurst, a company in which the former managing director of Electron Distribution has an interest. The effect of the sale on the assets and profitability of Canning is negligible.

ROWLAND GAUNT

Following the offer for up to 65 per cent of Rowland Gaunt ordinary shares, Harris Allday Lea and Brooks on behalf of Queensway Securities has received acceptances for a total of 156,870 shares (52.29 per cent). The offer is now closed.

ASSOCIATES DEAL

J. Henry Schroder Wagg and Co, which is advising Alexander Howden Group, sold 199,500 Alexander Howden ordinary shares at 142p on October 30, on behalf of discretionary clients.

A. Lee and BSC joint venture rationalisation

Arthur Lee and Sons, the Sheffield-based steel wire and rope maker, has increased from 55 to 100 per cent its holding in Lee Bright Bars, the joint company *which it set up with* British Steel in 1973. It has acquired the outstanding 45 per cent holding from British Steel for £787,500.

At the same time, Lee has sold a 30 per cent stake in Alloy Steel Rods (ASR) to British Steel. ASR is also a joint venture between the two parties, set up in 1963. The sale, which leaves Lee with 20 per cent and British Steel with 80 per cent, is for a consideration of £300,000.

The transactions were valued by N. M. Rothschild and have been set off against each other, requiring Lee to make a cash payment of £487,500 to British Steel.

Both of the joint concerns have incurred substantial losses in the face of declining demand *for their products during the* recession. Lee said yesterday that LBB suffered "significant losses" in the first half to March 31, but these had been much reduced in the second half. Retrenchment measures have included the closure in June of its Pratt Levick subsidiary in Chester. Another plant was closed last year, leaving LBB with two plants.

ASR already relies heavily upon British Steel as easily the most important of its customers for the hire-rolling of precision wire rods. It made pre-tax losses of £236,000 in the first half to March 31. As part of the deal with Lee, British Steel is to make a loan of £204,000 to ASR which will be interest-free "in its initial stages," according to Lee.

The net tangible assets of LBB and ASR at September 30 1980 were £5.36m and £1.20m respectively. Lee and British Steel said yesterday that their agrement on the changed equity positions was "a further step in the rationalisation of the working relationship" between them.

LETRASET OFFER UNCONDITIONAL

Esselte announces that the offers to acquire Letraset have been declared unconditional and will remain open.

Esselte now holds or has received acceptances in respect of the equivalent of 92.2 per cent of the total number of Letraset ordinary shares. If sufficient acceptances are received, Esselte intends to acquire compulsorily any outstanding shares.

The merger is not being referred to the Monopolies Commission.

CAMBRIDGE INSTRUMENTS

The offers by Cambridge Instruments for all the ordinary and 5.425 per cent redeemable cumulative preference shares of CIC Investment Holdings have become unconditional. Acceptances were received as to 1,409,715,051 ordinary 1p shares (94 per cent); 5,632,512 ordinary shares of 10p (31.78 per cent); and 1m 5.425 per cent preference shares (100 per cent). The offers remain open until November 16.

Canadian acquisition for E. Riley

E. J. Riley snooker and billiard table manufacturer, has acquired 50 per cent of Ontario Billiard Supply Company (OBS), Toronto, Canada-based, for £230,000.

OBS is the largest manufacturer of snooker, pool tables and accessories in Canada and has retail outlets in Toronto, *Calgary, Edmonton and* Vancouver.

The directors say the merging of the two companies will enable OBS to accelerate its development and open up new oportunities for export business worldwide, with particular emphasis on the American market.

Net assets of OBS, at May 31 1980, were £196,000, and pre-tax profits for the year ended on that date amounted to £87,000.

Riley is the first UK company in the snooker industry to extend its activities overseas by the acquisition of an established business.

Linfood chief defends sale

Mr Alec Monk, chairman of Linfood Holdings, yesterday defended the group's £21m sale of its delivered wholesale division to its management, in the face of weekend criticisms by Argyll Foods, which is bidding £87m for Linfood.

Argyll was pointedly asking whether the management of the VG and Spar independent grocery suppliers could generate sufficient profits to service the £21m debt. On Argyll's calculations, the buy-out team would have to produce trading profits of £4m when, within the Linfood group, delivered wholesale produced only £2.4m before interest and tax last year.

Linfood has made the point, however, that the delivered wholesale division would finance the mixture of loan notes, medium-term debt and working capital funds from cash flow rather than profits. This comprises operating profits, depreciation of some £1.5m and fixed asset disposals, which should be of a recurring nature, worth about £450,000.

Annual interest charges should be about £3m annually, Mr Monk stressed, taking working capital finance at about 1½ per cent over bank Base Rate and medium term debt at a 2 per cent premium.

The chairman felt that it was important that the VG and Spar customers saw that they were supplied by a group with a "clear identity" as a wholesaler and he said that the nature of the business with 3,000 small, indepen*dent grocers neither enhanced* or affected the buying effectiveness or customer loyalty to its cash and carry activity.

Mr Monk also suggested that Mr James Gulliver, chairman of Argyll, had sold "six or seven" delivered wholesaling operations, including subsidiaries, since leaving Fine Fare in 1972.

H. Clarkson share placing

H. Clarkson Holdings, the parent company of H. Clarkson and Co., shipbrokers and shipowners, has become a Public Limited Company.

Simultaneously the majority of those shares not held by directors and employees of the company have been placed with Finance for Shipping and a number of other British institutional investors.

British Linen Bank and Cazenove and Co. arranged the placing of these shares.

Mr W. B. Kirkpatrick, a director of Finance for Shipping, has accepted an invitation to join the Clarkson Holdings board.

PROPERTY AND REVERSIONARY

Property and Reversionary Investment Corporation has agreed to acquire Melbourne House, Aldwych, which is a private company with a portfolio valued in March at over £15m. Irrevocable undertakings to accept have been received in respect of 15,373 ordinary shares in Melbourne (68 per cent).

The offers are formulated on the basis that Melbourne holders will receive new ordinary shares in P and R, and cash of such an amount that the net assets attributable to the ordinary shares in P and R will be broadly maintained. On full acceptance, a maximum of 5,462,024 new ordinary shares in P and R would be issued.

Under the terms of a separate cash offer, N. M. Rothschild has offered to acquire a maximum of 20 per cent of the new ordinary shares in P and R from Melbourne shareholders who accept the offers at 138p per share.

Net assets of Melbourne on June 24 1981, were £13,114,000, after adjustment for recent professional valuations of its portfolio. Profit before tax for 1980-81 was £273,000 approximately.

Conditions include approval of P and R's shareholders and an *increase in capital being* sanctioned.

FAGS/O'HIGGINS

An extraordinary meeting of the Antofagasta (Chili) and Bolivia Railway Company, has approved the purchase of a further 1,559,403 shares, of 20 Chilean pesos each, in Banco O'Higgins, by the Andes Trust, a wholly owned subsidiary of the railway company.

Following this purchase Andes, with a total holding of 5,267,600 shares representing 10.13 per cent of the issued share capital, will have the largest holding in Banco O'Higgins of the companies connected with and controlled by Sr Andronico Luksic Abaroa. The Luksic Group will then have a 64 per cent holding of the issued capital of Banco O'Higgins.

Ocean Research and ORE remerger off

Ocean Research Equipment of the U.S. and ORE Limited, its former UK subsidiary, which was floated on the market last year under Rule 163(2), have called off an attempt to remerge.

Ocean Research reduced its holding in ORE from 63 per cent to 40 per cent in September 1980. The flotation raised £203,000, part of which went to repay loans from the U.S. parent.

Hanson extends Berec offer

Hanson Trust is extending its offer for Berec, the Ever Ready battery group, although it has been topped by a last minute bid from Thomas Tilling which is 18 per cent higher than Hanson's best offer.

Yesterday Hanson announced that its offer had attracted acceptances amounting to only 3.53 per cent of the ordinary shares. It also owns 15.74 per cent in its own right. Hanson's offer is now extended until November 23.

LADBROKE BUYS BEESON'S HOLIDAY CENTRE FOR £1.1M

Ladbroke Holidays, part of the Ladbroke Group, has purchased the Beeson's Holiday Centre for £1.15m cash.

Ladbroke will spend £750,000 on the business in the coming winter, it is stated.

The freehold property of 22 acres in Torquay, Devon, offers 229 holiday apartments and caravans, *swimming pools* and recreational facilities.

Mr John Jarvis, chairman of Ladbroke Holidays, says that Beeson's will produce substantial profits in 1982. "And we are continuing to invest heavily in our existing UK holiday business for further organic growth."

MCLEOD RUSSEL

Associates of McLeod Russel, the tea plantation group which has successfully gained control of Warren Plantation Holdings, the tea producer, have bought 150,000 Warren shares at 240.5p. McLeod Russel has also bought 355,000 shares at 240.5p.

The purchases have been made through stockbrokers Montagu, Loebl, Stanley and Co. As a result of the purchase of the 355,000 block of Warren shares by McLeod Russel, it is intended that the number of Warren shares still the subject of the McLeod offer will be reduced.

The maximum number of 8.4 per cent convertible cumulative redeemable preference shares to be issued by McLeod Russel, because of this change, and assuming full acceptance of its offer for the shares of Warren will be reduced by 195,250, from 4.8m to 4.61m.

JACKSONS BOURNE

As part of the closedown of the Rossminster Group of Companies, the controversial financial consultancy *group*. Rossminster Holdings has sold its subsidiary Avonwalk to Laurel Co. SA registered in Panama.

Avonwalk holds 311,719 shares (29.3 per cent) of Jacksons Bourne End, the fibre board and plastic moulding group.

The shares in Jacksons held by Rossminster Holdings amounting to 327,147 and representing 30.8 per cent of the equity have been sold to Megastar Investment Company Inc., also registered in Panama, which in turn has been acquired by Laurel Co. SA. Megastar Investment Company Inc. already holds 3,500 shares.

It was in February of this year that Rossminster sold just under half of its 60.1 per cent interest in Jacksons to Avonwalk.

RACQUET CLUB

Midland Bank Industrial Finance and Samuel Montagu have together subscribed £225,000 for a 25 per cent equity stake in the David Lloyd Slazenger Racquet Club (Willacre) to assist in the financing of a new £2m indoor tennis complex in West London.

SHARE STAKES

Atlanta, Baltimore and Chicago Regional Investment Trust — Colonial Mutual Life (Pension Annuities) now holds 165,000 ordinary shares (5.5 per cent).

Caledonian Associated Cinemas — Equity Trust has acquired 7,100 shares making holding 308,662 shares (77.17 per cent).

Allied Residential — Thames Investment and Securities has acquired 131,607 ordinary shares. Prior to this purchase Thames had a 27.5 per cent holding in Allied Residential (2.75m shares).

Horace Cory and Co — Mrs Edith E. Grimshaw is interested in 520,980 ordinary shares and 10,665 cumulative participating preference shares (5.7 per cent of the voting rights).

T. C. Harrison — Edward Harrison has sold 100,000 ordinary shares.

Chloride Group — Prudential Corporation Group of companies holds 1,560,478 7½ per cent cumulative convertible preference shares (8.62 per cent).

Sun Life Assurance Society — Garsan, as a result of a purchase of 50,000 shares on October 30, is interested in 11,550,000 (20.5 per cent).

Precious Metals Trust — Trustees of the Merchant Navy Officers Pension Fund hold *600,000 shares (5 per cent).*

Tanks Consolidated Investment — Societe Generale de Belgique since midday October 29 and up to midday yesterday bought in the market at 450p, 53,044 Tanks ordinary shares (0.3 per cent).

Caledonian Asociated Cinemas — Equity Trust has acquired 7,100 shares making holding 308,662 shares (77.17 per cent).

Brentnall Beard (Holdings)—a company in which Mr W. M. L. Fullerton is a majority shareholder — has acquired 258,885 ordinary.

Norcros — Union Insurance Group has increased its holding of ordinary shares from 4,055,261 to 6,058,450. This represents an increase from 5.239 per cent to 6.262 per cent.

New Court Oil Ventures—Edinburgh Securities holds 130,000 shares (10 per cent).

Dewhurst Dent — Textile Investment Company has acquired 25,000 ordinary shares, making holding 2,904,726 shares (28.6 per cent).

Hambro Life Assurance—J. G. Joffe, director, has sold 25,000 ordinary shares at 308p.

Thomas Warrington and Sons —Espley-Tyas Property Group has purchased 10,000 ordinary. Total holding now 593,227 ordinary (19.73 per cent).

Marks and Spencer — Mr Michael M. Sacher and Mr Simon J. Sacher, directors, have as trustees disposed of 5,000 ordinary shares.

Thomas Tilling—As an asso*ciate of Berec Group, Phillips* and Drew bought 6,000 shares in Thomas Tilling for 134p on October 29 1981 for a discretionary client.

Alex Howden Group — De Zoete and Bevan, acting for Alexander and Alexander Services, on October 29 1981 bought 25,000 Howden ordinary at 143.5p and 75,000 Howden ordinary at 144p. Holding now 5,175,000 ordinary (5.67 per cent).

Marling Industries — Pruden*tial Corporation* Group now holds 775,000 ordinary (5.13 per cent).

James Cropper—Drayton Consolidated Trust is the beneficial owner of 102,500 ordinary shares (6.4 per cent).

Romai Tea Holdings—George Williamson and Co. has increased its holding to 161,451 shares (41.59 per cent).

Lister and Co.—Mrs B. Kornberg is interested in 2,311,668 shares (14.04 per cent). These shares were previously held by her late husband Mr I. E. Kornberg, who was chairman.

Marshall S Universal—ESAL (Commodities) has increased its holding by a further 75,000 shares. Its total holding is 871,250 shares.

Hoverhingham Group—Tarmac now holds 9,280,812 Hoveringham shares (86.4 per cent).

British Dredging Co.—Colguy Holdings now owns 8995,156 ordinary (6.03 per cent) registered in the name of Clydesdale Bank (London) Nominees. Colguy is part of Newarthill, *which owns Sir Robert McAlpine.*

Gold and Base Metal Mines—Jantar has recently bought from Colonel Kennedy and family interests 593,995 shares, equal to 9.64 per cent. This lifts Jantar's holding to 15.86 per cent.

COMPANY NEWS IN BRIEF

GLOVER AND MAIN (cutting tools, catering and food processing equipment and industrial supplier). Pre-tax loss £1.97m (£7.85m profit) for the year to March 31, 1981. Turnover £142.75m (£135.36m). Tax credit £384,000 (£897,000 charge). Extraordinary debits £825,000 (£185,000); leaving attributable loss £2.42m (£6.76m profit). Emoluments of chairman exclusive of pension contributions £39,946 (£24,851). The group is a wholly-owned subsidiary of Thorn EMI.

CANTORS (furniture, carpet and bedding retailer)—Results for the 53 weeks to May 2 1981 reported September 12. Shareholders' funds £3.77m (£4.44m); fixed assets £3.8m (£3.83m); current assets £10.35m (£11.37m); current liabilities £5.73m (£5.85m). Increase in cash and bank balances £796,000 (£698,384 decrease). Meeting: Sheffield, November 25, noon.

TRAFFORD PARK ESTATES (industrial and commercial property developer) —Results for year to June 30, 1981, reported September 17. Shareholders' funds £20.39m (£20.04m). Net current liabilities £525,834 (£96,667). It is proposed that directors' fees be increased from £12,000 to £30,000 per annum. Chairman believes company will increase its profits for current year. Meeting: Manchester, November 18, noon.

COURTNEY, POPE (HOLDINGS) (shopfitting and electricals)—Results for year to May 31, 1981, and prospects reported October 10. Group shareholders' funds £6.37m (£3.93m). Fixed assets £3.34m (£3.03m). Net current assets £2.78m (£2.56m). The board remains optimistic for the long-term future and looks to group's new products and improved efficiency to *produce improved results.* Meeting, Aylesbury, Bucks., November 19, 11 am.

SAVE AND PROSPER LINKED INVESTMENT TRUST—Dividend 7.89p for year to September 30 1982.

EAST OF SCOTLAND ONSHORE—Interim dividend for 16 months to May 31 1982 0.5p per 25p share (0.25p for 12 months to January 31 1981) payable December 9.

BPM HOLDINGS (newspaper printer, publisher)—Results for year ended June 27 1981 reported October 20. Group fixed assets £15.16m (£12.85m). net current assets £435,000 (£1.84m)—cash, bank and short-term investments £553,000 (£1.95m), bank overdrafts £4.42m (£2.22m); shareholders' funds £23.64m (£22.32m). Meeting, Birmingham, November 25, 12 30 pm.

CHARTERHALL (investment holding company, interests in oil and gas exploration and production)—Results for year to June 30 1981 and prospects reported October 1. Shareholders' funds £7.14m (£3.14m); non-recourse loan £2.33m (£1.79m); fixed assets £5.05m (£2.98m); current assets £3.21m (£1.93m) including bank balances and short term deposits £2.55m (£1.71m); current liabilities £504,812 (£297,966); *increase in working capital £338,986* (£17,387 decrease); increase in net liquid funds £837,424 (£1.77m). Meeting: Chartered Accountants Hall, EC, November 25, 11 45 am.

COPE ALLMAN INTERNATIONAL (packaging, leisure, engineering)—Results for year ended June 27 1981 reported October 6 in full preliminary statement with prospects. Group fixed assets £54.34m (£54.72m); net working capital of £24.96m (£29.8m); bank balances £1.96m (£5.98m); shareholders' funds £46.82m (£53.55m); total net assets £83.1m (£92.74m). Meeting, Institute of Directors, SW, November 26, 11 am.

FITZWILTON (investment company) Results for year to June 30 1981 reported October 16. Shareholders' funds Ir£11.94m (£Ir12.61m); unsecured loans £486,053 (£514,195); interests in associates £4.9m (£6.18m); medium and long term debtors £3.06m (£1.45m); current assets £4.98m (£6.13m); current liabilities £1.21m (£1.16m); decrease in working capital £1.08m (£337,221 increase). Auditors say had loss of associate Goulding Chemicals been treated according to SSAP 1 profits before extraordinary *items would have been reduced by* £126,388, but that losses after extraordinary items would not have been affected. They also point out that some of the associates second-half results were based on unaudited management accounts. Meeting: Dublin, November 24.

MERCURY TRANSATLANTIC TRUST—Net revenue for the period March 13 1981 to August 28 1981 £130,224 (£315,565 for half year to September 11 1980). Offer price of participating preference shares £15.29 (£12.89). Company changed its name from Transatlantic Market Trust in March 1981.

TEMPORARY COURT ORDER OBTAINED

Marathon rejects $3.4bn Mobil bid

BY OUR NEW YORK STAFF

MARATHON OIL, the 17th largest U.S. oil company, rejected vigorously yesterday the $3.4bn offer for two thirds of its shares by Mobil, the country's second largest oil concern.

It called the cash offer, the first step of a $5bn merger of the two oil companies, "grossly inadequate, not in the best interests of the company or its shareholders." The company also said the $85 a share offer for 40m Marathon shares was not only inadequate but raises major anti-trust and other public policy issues.

As a first move to attempt to block Mobil's bid, Marathon won yesterday from an Ohio federal court a temporary restraining order preventing Mobil from taking any further action to implement its offer for 40m Marathon shares. But Wall Street did not expect the decision to pose any serious obstacle to Mobil's bid which, at this stage at least, appears unlikely to face major objections from the U.S. anti-trust authorities.

Marathon, which negotiated a $5bn credit line this summer to defend itself from possible takeover, is now expected to seek a White Knight to frustrate Mobil's hostile bid.

Marathon also said none of its directors or officers intend to tender any shares under the Mobil offer. But this is unlikely to have any material effect in that less than 1 per cent of Marathon stock is held by company insiders.

The largest single blocks of Marathon shares are held by Sedco, a Texas oil driller which owns 6.7 per cent, and Bass Equity Enterprises, also of Texas which has also accumulated a large 5.1 per cent block.

Trading in Marathon shares continued to be suspended on the New York Stock Exchange yesterday morning with indications that it would open at between $84 and $90 a share compared with $67½ when it last traded on Friday

Return match for investment advisers

BY PAUL BETTS IN NEW YORK

MOBIL'S $3.4bn bid for control of Marathon Oil is providing a replay on Wall Street between the two investment banks which battled it out in this summer's megadollar takeover contest for Conoco.

It may also give Merrill Lynch White Weld Capital Markets Group, the investment banking arm of Merrill Lynch which advised Mobil in its unsuccessful attempt to acquire Conoco, the chance to get its own back on First Boston, which won the battle for Conoco for Du Pont and has built up a remarkable track record of successfully defending clients from hostile takeover bids.

Mobil in its statements so far has sought to put the message across Wall Street that it has learnt from past mistakes in the Conoco fiasco. "They are trying to tell us that they've got their act together this time," one Wall Street banker said yesterday.

For Merrill Lynch the stakes are just at high as they are for Mobil. The large investment firm was badly shaken by its defeat this summer, especially since the Capital Markets Group is a relatively new division at Merrill Lynch.

In turn, there was some surprise on the Street that Mobil had again turned to Merrill Lynch for its latest effort to take over a U.S. oil company. But apparently there was little choice for Mobil in view of the fact that most alternatives are already booked up.

At the time of the Conoco battle, Mobil's first choice is understood to have been Salomon Brothers. But the investment firm was already representing Texaco, which put in a bid for Conoco, and hence faced a conflict of interest. Salomon Brothers is still understood to be advising Texaco, one of the oil companies which could enter the fray for Marathon.

At First Boston, the investment firm's merger and acquisition team led by Mr Bruce Wasserstein and Mr Joe Perella has already swung into action.

First Boston is again having to devise a defensive strategy against Mobil which appears to have opted for a strategy structured much on the same lines as its unsuccessful bid for Conoco.

Mobil's bid for Marathon is what the Street calls a traditional "two step" offer involving a cash tender for two-thirds of Marathon shares at $85 each to be folowed by a merger involving probably an exchange of shares. Mobil, in the case of Conoco, had offered cash for 51 per cent of the oil company's shares to be followed later by an exchange of Mobil securities.

The key in this latest takeover battle will again be speed, and this time Mobil seems to have an edge in that it moved quickly and suddenly on Friday with its bid for Marathon.

Marathon and First Boston, as was expected, reacted by seeking to block temporarily the bid in the courts on anti-trust grounds. Indeed, they won such an order yesterday although it is far from clear whether this will have any significant effect on the Mobil bid.

What it does is mainly psychological in that it creates some doubts about whether Mobil's bid may be opposed by the anti-trust authorities. Such doubts played a large part in First Boston's successful strategy in the Conoco takeover.

But Wall Street does not expect this time round Mobil to encounter major anti-trust hurdles, although yesterday's court move could delay the bid and give some breathing ground for Marathon and First Boston.

Although Marathon has many options before it, its most likely defence will be to seek a White Knight. First Boston, however, must act quickly to come up with a suitable candidate to beat the proration deadline of November 11 of the Mobil offer.

Like in other recent takeover battles, the proration date—the date by when shareholders must tender their stock to give them preferential treatment on a first-come first-served basis—is again likely to be crucial to the outcome.

Should First Boston, as expected, come up with a suitable White Knight, the Wall Street firm could fall back on one of its most successful defensive strategies. This basically involves giving the friendly takeover candidate a major stock option to frustrate hostile bidders.

First Boston used this ploy against McDermott in last year's takeover battle for Pullman by granting stock options to Wheelabrator-Frye, the White Knight. It used it again against Mobil in the battle for Conoco this summer by giving similar options to Du Pont. And it used it again only last week in Allegheny International's successful bid for Sunbeam thwarting IC Industries' hostile bid.

Caterpillar Tractor to spend $800m

By Hazel Duffy, Industrial Correspondent

CATERPILLAR TRACTOR, the world's largest manufacturer of earthmoving equipment, plans to invest around $100m over the next four years in the Solar Turbines company which it bought from International Harvester in July 1981. Mr Lee Morgan, chairman and chief executive officer of Caterpillar, said in London yesterday that he expected this investment to be financed from within the group.

Total capital spending by the group is expected to be about $800m next year, compared with some $850m this year and $750m in 1980. Capital Spending this year includes the payment of $500m for Solar Turbines.

Spending on engineering and research is expected to be over $400m in 1982. Spending in that area this year is expected to exceed last year's figure of around $325m, Mr Morgan said without giving details.

Mr Morgan, who is starting out on a tour of European financial capitals, said that Caterpillar views engines as the biggest growth opportunity in product terms, while the energy field is the fastest-growing segment of group business. Sales of engines to customers outside the group, added to sales for Caterpillar's own requirements, reprsented about 25 per cent of total group business last year.

Solar Turbines, which makes natural gas compressor sets and generator packages powered by turbine engines, will open up additional growth opportunities. Mr Morgan added that the world-wide Caterpillar dealer network should bring new sales opportunities to Solar Turbines, particularly in electricity generating sets.

Republic of Peru plans to raise $300m Eurocredit

BY OUR EUROMARKETS STAFF

A $300m Eurocredit is being arranged for the Republic of Peru by Morgan Guaranty, which was awarded the mandate on Friday night. The loan will be a seven-year facility with a margin of ¾ per cent above the London interbank offered rate. There will also be a four-year grace period.

The seven-year life of this loan makes it the shortest maturity deal for Peru in several months. Traditionally, Peruvian borrowers have preferred a 10 year, one month maturity as in the recent $145m eurofinancing for Electricidad del Peru.

The fact that Peru has decided to move to a shorter facility suggests a recognition in Lima that some banks which view the country favourably have been deterred by long maturities.

Lloyds Bank International confirmed last night that it is putting together a Eurocredit of up to $300m for the Superintendencia Nacional da Marinha Mercante (SUNAMAM), the Brazilian shipping authority. The loan, which is an 8-year transaction, carries a spread of 2¼ per cent above Libor or a prime rate option of 2 per cent above the U.S. level.

The SUNAMAM loan is designed to help finance Brazil's 1981-82 shipbuilding programme and is linked to a further $300m of export credits, $150m through the UK and the rest through Japan and West Germany, some of which are alluded to in last week's Anglo-Brazilian protocol.

AIBD board changes

BY ALAN FRIEDMAN

MR RUPERT HAMBRO, chairman, and seven other members of the board of the Association of International Bond Dealers (AIBD) are to stand down at the end of their present three-year term which expires next May.

Mr Hambro, who is an executive director of Hambros Bank with responsibility for its international activities, said yesterday he believed three years was the "right term" for a chairman to serve.

He would not seek a second term because "another three years is too much. You get stale, you get lazy. Half the point of being chairman is you shouldn't get lazy or stale," he explained.

In addition to Mr Hambro, Mr Walter Koller, the vice-chairman of the AIBD will also stand down at the end of his term. In Zurich, Mr Koller explained: "In October 1968, the Association was founded and I have been there 13 years. That is enough."

Mr Koller, who is manager of Eurobond trading at Credit Suisse, and Mr Hambro, both stressed that their planned departure did not reflect any dissatisfaction with the AIBD, but was merely a function of the length of service.

Mr Hambro spoke of the need for "a breath of fresh air. I feel I have contributed my maximum energy. I could continue, but I wouldn't be working as hard as I have done," he added.

The AIBD is a self-regulating body composed of banks from around the world which engages in Euromarket activities. There are 17 board members who serve for three year terms. The next election will take place at the AIBD's annual meeting in Venice next May.

Fed move on discount rate boosts dollar bonds

By Peter Montagnon, Euromarkets Correspondent

THE DOLLAR Eurobond market had one of its best days in several weeks yesterday as prices climbed by an average of one point in the wake of the Federal Reserve Board's decision to cut its discount rate by one point to 13 per cent.

Dealers said demand was particularly strong as the market opened, but some added that activity tapered off later in the day as the New York bond market failed to follow through Friday's sharp rally.

Investors continued to show interest in some of the recent high coupon issues, but there was no general wave of buying as some are still clearly concerned that the decline in short term interest rates—six-month Eurodeposits shed a further ¼ point to 15¼ per cent yesterday—might prove temporary.

Two new issues were launched, $100m bond for the Canadian Province of Saskatchewan through Credit Suisse First Boston and $75m for Swedish Export Credit through Morgan Stanley and CCF.

Pricing on the seven-year Saskatchewan bond is open, although there is an indicated coupon of 16¼ per cent. The Swedish issue is a 12-year bond with a coupon of 16¼ per cent at par.

Holders have the option to redeem at par every three years, while the borrower can change the coupon at the same interval. This follows the same formula as that recently adopted by the Caisse Francaise des Matieres Premieres on its successful $100m issue.

Continental markets were also firm, though dealers in Germany said demand was strongest in the domestic bond market where yields are more attractive than on foreign bonds.

In Switzerland a new decline of the dollar, which dipped below 1.80 francs at one stage, helped make for a strong bond market.

NORTH AMERICAN QUARTERLY RESULTS

B.C. FOREST PRODUCTS

Third quarter	1981 C$	1980 C$
Revenue	128.9m	217.6m
Net profits	†14.3m	13.0m
Net per share	†0.48	0.42
Nine months		
Revenue	588.1m	614.1m
Net profits	18.4m	45.0m
Net per share	0.59	1.47

† Loss

CANADIAN TIRE

Third quarter	1981 C$	1980 C$
Revenue	363.1m	280.5m
Operating profits	15.4m	11.5m
Operating per share	1.20	0.92
Nine months		
Revenue	1.03bn	785.6m
Operating profits	41.4m	28.7m
Operating per share	3.27	2.34

CONSOLIDATED-BATHURST

Third quarter	1981 $	1980 $
Revenue	379.0m	331.0m
Net profits	28.0m	27.7m
Net per share	1.23	1.22
Nine months		
Revenue	1.12bn	1.04bn
Net profits	93.6m	91.3m
Net per share	4.09	4.05

DOMTAR

Third quarter	1981 C$	1980 C$
Revenue	473.7m	423.6m
Operating profits	17.7m	24.1m
Operating per share	0.99	1.38
Nine months		
Revenue	1.31bn	1.24bn
Operating profits	49.1m	74.2m
Operating per share	2.77	4.51

GENERAL PUBLIC UTILITIES

Third quarter	1981 $	1980 $
Revenue	539.7m	490.2m
Net profits	14.1m	10.5m
Net per share	0.23	0.17
Nine months		
Revenue	1.54bn	1.34bn
Net profits	†4.7m	19.2m
Net per share	†0.06	0.31

† Loss

FRANK B. HALL

Third quarter	1981 $	1980 $
Revenue	85.3m	76.2m
Net profits	6.7m	6.9m
Net per share	0.59	0.62
Nine months		
Revenue	260.8m	225.5m
Net profits	24.5m	23.9m
Net per share	2.12	2.21

HARCOURT BRACE

Third quarter	1981 $	1980 $
Revenue	181.6m	174.3m
Net profits	20.2m	20.8m
Net per share	2.30	2.36
Nine months		
Revenue	413.6m	391.8m
Net profits	20.3m	22.6m
Net per share	2.31	2.57

HARSCO

Third quarter	1981 $	1980 $
Revenue	271.5m	249.0m
Net profits	13.1m	10.0m
Net per share	0.63	0.49
Nine months		
Revenue	870.0m	786.9m
Net profits	41.5m	34.3m
Net per share	2.13	1.70

PABST BREWING

Nine months	1981 $	1980 $
Revenue	643.6m	671.9m
Net profits	†2.5m	10.4m
Net per share	—	1.27

† Loss

QUAKER OATS

First quarter	1981-82 $	1980-81 $
Revenue	695.3m	642.9m
Net profits	27.4m	22.7m
Net per share	1.38	1.06

REVLON

Third quarter	1981 $	1980 $
Revenue	613.1m	612.4m
Net profits	23.9m	47.5m
Net per share	0.64	1.13
Nine months		
Revenue	1.74bn	1.56bn
Net profits	122.4m	137.6m
Net per share	2.63	3.53

RESORTS INTERNATIONAL

Third quarter	1981 $	1980 $
Revenue	100.1m	104.8m
Net profits	†10.0m	12.8m
Net per share	†1.02	1.14
Nine months		
Revenue	276.2m	297.6m
Net profits	†2.6m	41.1m
Net per share	†0.27	3.44

† Loss

ST. PAUL COMPANIES

Third quarter	1981 $	1980 $
Revenue	486.2m	467.7m
Operating profits	43.4m	35.2m
Operating per share	2.07	1.68
Nine months		
Revenue	1.46bn	1.37bn
Operating profits	132.9m	107.1m
Operating per share	6.34	5.11

JOS. SCHLITZ

Third quarter	1981 $	1980 $
Revenue	237.6m	279.7m
Net profits	†36.1m	6.7m
Net per share	—	0.23
Nine months		
Revenue	807.2m	809.9m
Net profits	†21.6m	24.8m
Net per share	—	0.85

† Loss

SUPERIOR OIL

Third quarter	1981 $	1980 $
Revenue	499.8m	376.1m
Net profits	80.8m	78.1m
Net per share	0.64	0.61
Nine months		
Revenue	1.5bn	1.06bn
Net profits	288.1m	237.3m
Net per share	2.27	1.88

TAMPAX

Third quarter	1981 $	1980 $
Revenue	61.1m	53.6m
Net profits	11.0m	9.6m
Net per share	0.93	0.85
Nine months		
Revenue	175.4m	154.6m
Net profits	31.2m	29.6m
Net per share	2.77	2.62

TEXACO CANADA

Third quarter	1981 $	1980 $
Revenue	1.1bn	902.0m
Net profits	81.5m	95.3m
Net per share	0.63	0.75
Nine months		
Revenue	3.3bn	2.6bn
Net profits	253.6m	277.8m
Net per share	1.97	2.17

TEXAS AIR

Third quarter	1981 $	1980 $
Revenue	91.9m	75.8m
Net profits	†9.9m	1.4m
Net per share	†1.70	0.19
Nine months		
Revenue	272.5m	218.1m
Net profits	†8.4m	3.6m
Net per share	†1.44	0.51

† Loss

UNION CARBIDE CANADA

Third quarter	1981 C$	1980 C$
Revenue	203.2m	183.3m
Net profits	6.7m	18.4m
Net per share	0.25	0.85
Nine months		
Revenue	622.9m	567.3m
Net profits	33.5m	61.2m
Net per share	1.45	2.88

WM WRIGLEY JR.

Third quarter	1981 $	1980 $
Revenue	154.3m	146.0m
Net profits	7.1m	7.9m
Net per share	0.90	1.00
Nine months		
Revenue	468.7m	417.8m
Net profits	21.5m	20.6m
Net per share	2.73	2.61

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which will be published next on Wednesday November 11. Closing prices on November 2

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Anheuser-Busch 16½ 88	100	98⅞	99⅜	—	—	16.72
APS Fin. Co. 17¾ 86	60	102⅞	103⅜	+1⅞	+2⅞	16.27
Br. Colum. Hyd. 16¾ 88	100	99⅜	99⅞	—	—	16.37
Br. Colum. Mla. 17 97	54	101½	102⅛	—	—	16.66
CIBC 15½ 88	75	96⅝	97⅛	+0⅜	+1	16.17
CIBC 16¾ 91	100	100	100½	+1½	+1⅜	16.68
Citicorp Int. Fin. 15 86	150	96⅞	97⅜	+0⅞	+0⅝	15.84
Citicorp O/S 15½ 84	175	100⅜	101⅛	+0⅜	+1⅛	14.89
Citicorp O/S 16⅞ 86	150	100⅞	101⅜	+0⅝	+1⅛	16.38
Cities Service 17 88	150	103½	104	+1	+1	16.03
Con. Illinois 14¾ 84	100	96⅝	97⅛	+1⅛	+1⅛	16.08
CPC Fin. 16¾ 86	50	103½	103⅞	+1	+0⅞	15.67
EEC 14¾ 93	65	90⅞	91⅜	+0⅝	+0⅞	16.46
EIB 16½ 88	100	99⅝	100⅛	+0⅜	+1⅛	16.50
EIB 16⅝ 91	100	99½	99⅞	+0⅞	+1⅞	16.36
Finland Rep. of 9½ 86	100	78½	79	+0⅝	+1	16.67
Ford Cr. O/S Fin. 16 85	150	97	97½	+0½	−0⅛	16.96
GMAC O/S Fin. 14¾ 87	100	93½	94	+0⅜	+1⅛	16.46
GMAC O/S Fin. 16½ 84	300	99⅞	100⅜	—	—	15.44
Gulf States O/S 17½ 88	60	102½	103	+1⅛	+2½	16.77
Hiram Walker 16 86	50	100	100½	+1⅛	+2⅛	15.83
IBM Wld. Trade 14⅞ 84	100	101⅜	101⅞	+1	+1⅛	13.86
IBM Wld. Trade 14⅝ 85	60	101	102½	+0⅛	+1	14.23
Nat. Bk. Canada 15¼ 84	40	†97½	98	+0⅞	+0½	16.24
Nat. Bk. Canada 16½ 88	40	98½	99	+0⅛	+0⅜	17.52
New Brunswick 17 88	60	102	102½	+1	+1	16.41
Newfoundland 17¾ 89	60	102⅝	103⅛	+0⅞	−0⅜	16.52
Nova Scotia 15 91	75	93½	94	+1⅜	+1⅞	16.27
Ohio Edison Fin. 17½ 88	75	100⅞	101⅜	+1½	+3⅛	17.19
Pacific Gas Elec. 16 88	75	101½	101	+0⅞	+1⅜	15.51
PSNH Int. Fin. 17 86	30	100½	101	+0⅜	+1⅜	16.69
Quebec Hydro 17¼ 91	150	102⅛	102⅝	+1⅛	+1½	16.73
Shell Canada 15¾ 91	100	99⅜	99⅞	+1½	+1⅝	15.80
Sth. California 14¾ 88	50	94½	95	+0⅝	+1⅞	16.03
Swed. Ex. Cred. 15¾ 86	50	96⅛	96⅝	+0⅝	+1⅜	16.81
Tenneco Int. 17 89	100	103	103½	+0⅜	+1	16.22
Transcanada 17⅜ 88	75	103⅜	104⅛	+0⅞	+1⅛	16.69
Walt Disney 15⅜ 86	100	99⅛	99⅜	+0⅝	+1⅛	15.86
Wells Fargo Int. 15½ 84	50	100⅛	100⅜	+0⅝	+0⅞	15.13
Winnipeg 17 86	50	102⅜	102⅞	+1⅛	+2	16.17
World Bank 14⅜ 86	500	93½	94	+0⅜	+1⅞	16.31
World Bank 16 86	210	99⅞	100⅛	+2⅛	+2⅜	15.95
World Bank 16 88	80	97½	98	+0⅜	+0⅜	16.51
World Bank 16½ 86	130	99⅜	100⅛	+0½	+1⅜	16.47
World Bank 16½ 88	100	100⅛	100⅜	+2⅛	+2⅜	16.35

Average price changes... On day +1 on week +1⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 10 91	100	96⅛	97⅛	−0⅜	−0⅛	10.50
Asian Dev. Bk. 10⅝ 89	100	100⅞	101½	—	—	10.58
Austria, Rep. of 8⅞ 92	150	89⅞	88⅜	+0⅛	−0½	10.03
Belgelectric 11 91	100	100½	101⅛	—	—	10.84
CECA 10 91	120	†99⅜	100½	+0⅜	+1	9.96
Council of Europe [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Council Europe [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 8¼ [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 10½ [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ESCOM [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland, [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ind. Bk. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Int.-Am [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan Air [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan Dev. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Midland [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mrt. Bk [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nat. West. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OKB 10½ [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Renault [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swed. Ex. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Venezuela [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... [illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aeroport [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BFCE 6½ [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bayer Int. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgelectric [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bergen, [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CECA 6¾ [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dome Petroleum [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dome Petroleum [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Elet. de [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Eurofima [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Franc. Petroles [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Genstar 7 [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Int. Amer. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
I/S Elsam [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan Dev. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mt. Blanc [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Neder G[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OKB 7 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oslo, City [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swed. Ex. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Trade Dev. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Voest-Alpine [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... [illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Australia [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 7¾ [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland, [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New Zealand [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... [illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
CIBC 13½ [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CIBC 11¼ [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Federal D[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Federal D[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fst. Can. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GMAC (C[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tordom C[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Issued	Bid	Offer	Change on day	Change on week	Yield
M. Bk. Dnmk. 9 91 EUA	25	*78⅛	78⅜	0	+0⅛	12.77
SOFTE 9¼ 89 EUA	40	*74½	75½	0	0	13.81
U. Bk. Nwy. 9½ 90 EUA	18	*81	82⅛	0	+0½	13.24
Algemene Bk. 10⅛ 86 Fl	60	94	94½	+0⅜	+0⅜	11.99
Amro Bank 12 86 Fl	75	98⅞	99⅛	+0⅞	0	12.21
Heineken NV 10 87 Fl	100	93	93½	+0⅛	+0⅜	11.66
Nat. Nedrlndn. 10 88 Fl	60	93⅜	94⅜	+0½	−0⅛	11.37
Ned. Midd. Bk 10 85 Fl	75	95⅛	96⅛	−0⅛	−0⅛	11.48
Pierson 10⅛ 85 Fl	50	92⅝	93⅛	0	+0⅛	12.43
Rabobank 12 86 Fl	50	99⅛	99⅝	−0⅛	−0⅜	12.14
Air France 14½ 86 FFr	200	*91½	92½	0	−0⅛	17.11
Bk. America 14½ 88 FFr	250	*91½	92½	−0⅛	−0⅛	17.10
Charb'nages 13⅞ 85 FFr	400	*90⅞	91⅞	0	−0⅛	16.90
EIB 14⅛ 88 FFr	300	*86⅜	87⅜	0	−0⅛	17.63
La Redoute 14⅞ 85 FFr	125	*89⅜	90⅜	−0⅛	−0⅛	17.85
OKB 14 86 FFr	400	*90⅛	91⅞	0	−0⅜	16.91
Solvay et C. 14⅝ 86 FFr	200	*90⅛	91⅝	0	−0⅛	17.83
Swed. E. Cr 14⅜ 85 FFr	250	*89⅛	90⅝	0	+0⅛	17.94
U. Mex. Sts. 14 85 FFr	150	*91	92	−0⅛	−0⅜	17.27
Acena 14 85 £	20	88⅞	89⅜	0	−0½	17.85
Beneficial 14½ 90 £	20	79⅜	80⅛	+0⅛	−0⅛	19.00
BNP 13½ 91 £	15	82	82⅜	0	−0⅛	17.44
CECA 13½ 88 £	20	83⅞	84⅝	0	−0⅜	17.58
Citicorp O/S 13½ 90 £	50	85⅜	86⅛	+0⅛	−0⅛	16.77
Fin. Ex. Cred. 13⅜ 86 £	15	88⅜	89⅜	0	−0⅛	17.62
Gen. Elec. Co. 12½ 89 £	50	82⅝	83⅛	+0⅛	−0⅛	16.68
Hiram Walker 14⅛ 86 £	25	89⅜	90	−0⅛	−0⅜	17.71
Privatbanken 14½ 88 £	12	88⅞	89⅛	0	−1⅛	17.50
J. Rothschild 14⅞ 90 £	12	88	88⅜	+0⅛	+0⅜	16.83
Royal Trustco 14 86 £	12	89	90	−0⅛	−1⅛	17.57
Swed. Ex. Cr. 13⅝ 88 £	20	88⅛	89	+0⅜	−0⅛	17.60
Akzo 9½ 87 LuxFr	500	*85⅜	86⅜	−0⅛	+0⅛	12.77
Euratom 9⅜ 88 LuxFr	500	*87⅛	88⅛	−0⅛	+0⅛	12.74
Eurofima 10½ 87 LuxFr	500	*89	90	−0⅛	+0⅜	13.14
EIB 9⅜ 88 LuxFr	600	*83⅜	84⅜	+0⅛	−0½	13.67
Volvo 9⅜ 87 LuxFr	500	*84½	85⅜	−0⅛	+0⅛	13.62

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Bank of Montreal 5¼ 90	0¼	99⅜	99⅝	18/12	16⅝	16.86
BBL Int. 5 88	0⅛	99⅞	100⅛	20/11	18.31	18.34
BFCE 5¼ 88	0⅛	99⅛	99⅜	23/4	16.94	17.03
BNP 5½ 88	‡0⅛	99⅞	100⅛	29/1	16⅝	16.77
Christiana Bk. 5½ 91	‡0¼	98⅝	99⅛	5/11	19.19	19.41
Co-Ban Eurofin 5½ 91	0⅛	98⅝	99⅛	14/4	16.69	16.90
Den Norske Credit 6 90	‡0¼	99⅛	99⅝	5/11	19.19	19.31
Genfinance 5¼ 87	0¼	100	100½	30/4	17.06	17.02
Genfinance 5⅜ 92	0⅜	99½	100	30/12	18.31	18.36
Giro und Bank 5¼ 91	‡0⅛	99⅞	99⅞	23/12	17½	17.57
GZB 5¼ 92	‡0⅛	99	99½	5/12	17⅛	17.38
Ind. Bank Japan 5⅛ 88	0½	99⅞	100⅛	9/4	16⅝	16.65
Lloyds Eurofin 8 90 £	0⅛	96⅝	97⅝	6/1	13⅝	14.06
Lloyds Eurofin 5¼ 92	§0⅛	99⅛	99⅝	4/12	17.44	17.56
Lloyds Eurofin 5¼ 93	§0⅛	99⅛	99⅝	29/4	17.13	17.22
LTCB Japan 5¼ 86	0¼	99⅛	100½	13/12	17⅛	17.25
LTCB Japan 5¼ 89	0⅛	99⅜	100⅛	18/1	18.32	18.34
Midland [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Midland [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nat. Bk. Canada [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nat. West. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nordic Int. Fin. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pemex [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sanwa Int. Fin. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sparebanken [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Svenska Hndlsbk. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... On day [illegible] on week [illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bow Valley Inv. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canon [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Daiwa Secs. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fujitsu [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Furukawa Elec. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hanson O/S Fin. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hitachi Cred. Cpn. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Inchcape [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Kawasaki [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Marui [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Matsushita [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Minolta Camera [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Murata [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NKK [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nippon Chemi-Con [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ricoh [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sanyo Electric [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sumitomo Met. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Bk. Cpn. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Taiyo Yuden [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Texaco Int. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tricorn [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Union Bk. Switz. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn = The current coupon. C.yld = The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The man most likely to succeed at VW

Carl Hahn has been named sole candidate to head Germany's largest car maker. Kevin Done reports

THE VOLKSWAGEN supervisory board is moving quickly to fill the vacuum that has opened alarmingly in the company's top management. Herr Toni Schmücker's formal decision to step down from the chairmanship on health grounds marks the end of an era for West Germany's biggest motor concern, which has been thrown into considerable disarray since June when Herr Schmücker suffered a heart attack.

With losses mounting in some major markets and its diversification policy under heavy attack, the company could not afford a long drawn-out battle for the succession. The executive committee of the supervisory board has cut short mounting speculation by coming up with an agreed candidate who already has an intimate knowledge of the group, Dr Carl Hahn.

At present the chief executive of Continental Gummi-Werke, West Germany's biggest tyre maker, Dr Hahn has twice before entertained ambitions of taking over the Volkswagen chairmanship. He has spent most of his business life at VW after joining the company in 1954 as head of export promotion. But by 1972 his route to the top appeared to have been blocked.

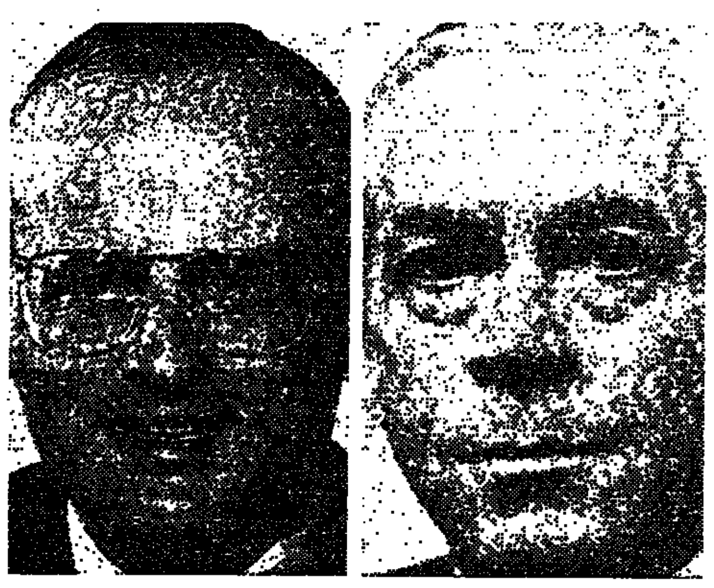
Dr Hahn was a protegé of Professor Heinrich Nordhoff, who autocratically directed VW's affairs for 20 years until his death in 1968. At the beginning of 1959 Professor Nordhoff sent Dr Hahn to the U.S. to open up the American market for the company's world-beater, the Beetle. For nearly five years Dr Hahn made an outstanding success of his role as chief executive officer of VW of America and was rewarded with a seat on the board of the parent company in 1964.

From this position, he was clearly a leading contender for the top job in Wolfsburg, but was thwarted first in 1968 by Herr Kurt Lotz, who was brought in from Brown Boveri, and then again in 1971 when Herr Rudolf Leiding was appointed chief executive.

As the board member with responsibility for sales Dr Hahn inevitably reaped much of the criticism himself as Volkswagen profits began to sag at the beginning of the 1970s. For too long the company had clung on to its old success formula, the Beetle, and had failed to catch the changing trends in the world motor industry, which demanded a very different model range than VW had available at the beginning of the 1970s.

In the event, however, Dr Hahn left—as much as anything else because of personal disagreements, with Herr Leiding. His departure at the end of 1972, in fact, spared him the exposure to VW's worst years in 1974 and 1975, when the group ran up losses of nearly DM 1bn in just two years. In the midst of the slump Herr Leiding himself was unseated to be succeeded by Herr Schmücker.

Most importantly, Dr Hahn had established good relations with the workforce at VW, and these contracts have stood him in good stead during recent weeks as the Volkswagen supervisory board cast around for a new executive chairman.



Dr Carl Hahn (left) and Herr Toni Schmücker

The workforce and the trade unions probably play a more important role in decision making at VW than at any other major company in West Germany and lack of support from this quarter means an effective veto for any aspirant to the executive chairmanship. Workers' representatives or union officials have half the seats on the supervisory board.

The other powerful constituencies to which Dr Hahn had to appeal are the Federal Government and the state of Lower Saxony, which each hold a 20 per cent stake in the company.

At Conti-Gummi Dr Hahn's record has not been without blemishes, but in today's tyre and rubber processing industry survival itself is a singular achievement. When he took the group over in 1973 it was already in losses and it was not until 1975 that he managed to bring it marginally into profit. A small dividend was paid in 1980 — the first in eight years.

Dr Hahn's main failure has been his inability to push through a reorganisation of the German tyre and rubber sector. Twice during the 1970s, the second time in 1977-78 under Dr Hahn's chairmanship, Continental came within an ace of a merger with the Phönix rubber group, but eventually foundered on Phönix's wish to remain independent.

Last year Conti-Gummi moved to take over Kleber, the majority-owned subsidiary of Michelin, but pulled back at the last moment when it realised how deeply Kleber had fallen into the red. Dr Hahn's one big success in the takeover direction was the acquisition of Uniroyal's European tyre operations in 1979, which added around DM 800m sales to the Continental group's turnover. Conti last year had an after-tax profit of DM 26.8m on turnover of DM 3.12bn.

Under Herr Schmücker, Volkswagen achieved a soaring recovery from its miseries of the first half of the 1970s, boosting its dividend each year from 1976-79 as it rode the motor industry boom years. Having come up in the nick of time with a totally new model range led by the popular Golf, VW had pushed its vehicle sales by the end of 1979 to more than 2.5m worldwide.

In 1979, with the company sitting on a cash mountain of around DM 7bn, this team led VW off on the path of diversification into the electronics and electrical industry with the take-over of Triumph Adler. TA was supposed to provide VW with growth and profits to offset the strongly cyclical earnings of the motor industry. Instead, however, Triumph-Adler, has plunged deeply into loss and one of Dr Hahn's first tasks at VW will be to re-assess the company's whole strategy for diversification.

Karstadt sees profit dip as rise in sales slows

BY STEWART FLEMING IN FRANKFURT

KARSTADT, West Germany's largest retailing group, has continued to suffer from the weakness of consumer spending, and in the first nine months of the year was able to increase sales by only 6.2 per cent to DM 6.8bn ($3bn).

Sales growth has thus slowed in comparison with the first five months of the year when, boosted by a special centenary promotion, sales rose by 10.9 per cent.

The company, with 155 department stores, says that, assuming a normal Christmas season, it expects lower earnings for the year, but nevertheless a satisfactory result. Earnings will also continue to be burdened by the results of the group's Neckermann Versand mail order subsidiary, which expects a loss for the year. Neckermann Versand sales in the nine months are down 0.7 per cent to DM 1.1bn.

In 1980 Karstadt's after-tax profits fell from DM 17.2m to DM 7.8m on total group turnover of DM 12.6bn.

DAF wants Harvester off board

BY CHARLES BATCHELOR IN AMSTERDAM

DAF TRUCKS, the Dutch Commercial vehicle maker, wants one of its largest shareholders, International Harvester of the U.S., to give up its two seats on DAF's eight-man supervisory board. Until Harvester withdraws, DAF will withhold information about its strategic plans from the board, Mr Piet Van Doorne, the managing board chairman said.

This follows the failure of Harvester to gain a court injunction last Friday preventing DAF from registering as a so-called "Struktuurvennootschap" (SV) under Dutch company law. A registered SV tranfers considerable powers to its supervisory board and work's council at the expense of shareholders.

The two Harvester representatives are due for reappointmen in November 1982 and August 1985 respectively.

Harvester took a one-third share in DAF in 1972 and increased its holding to 37.5 per cent last year. Plans for the two companies to co-operate in marketing and product development came to nothing however and Harvester has since acquired Seddon Atkinson in the UK and a 35 per cent holding in Enasa of Spain.

Harvester's plen to co-operate with Enasa and proposals for a new engine factory in Spain mean the U.S. company will become a direct competitor to DAF in the European truck market. This is an untenable situation for DAF, Mr Van Doorne said. Harvester's two supervisory Board members would have access to all DAF's plans.

Brostrom Shipping cuts losses at eight months

BY WESTERLY CHRISTNER IN STOCKHOLM

SWEDEN'S Brostrom Shipping Company incurred a pre-tax loss of SKr 47m ($8.4m) in the first eight months of this year—a SKr 28m recovery from the comparable 1980 period on a SKr 45m advance in turnover to SKr 1.48bn ($267.5m).

For this year as a whole the company expects a pre-tax loss but hopes it will be lower than the SKr 70m registered in 1980. Group turnover last year reached just over SKr 2bn.

Settlement of a long standing U.S. anti-trust case against ACL, the container consortium trading across the North Atlantic in which Brostrom is part owner through its Dutch operation, Incotrans, will cost ACL $13.2m. It is known in European shipping circles that Brostrom has been trying to sell Incotrans for some time.

The Brostrom liner division returned satisfactory profits in the eight months, but the bulk and trade operation's earnings declined, mainly because of continued slack demand for product tankers.

● The Stockholm-based Nordstjernan conglomerate, whose activities include construction and building materials, shipping, special steel manufacturing and engineering, returned a pre-tax loss of SKr 47m ($8.4m) in the first eight months of this year, against a SKr 115m profit recorded in the corresponding period of 1980. Group sales rose to SKr 5.4bn ($972m) from SKr 4.9bn.

Nordstjernan is one of the three major companies belonging to Sweden's family-owned Axel Johnson trading and industrial group, whose combined turnover, including U.S. operations, exceeds SKr 20bn.

For this year as a whole Nordstjernan expects to maintain last year's earnings of SKr 270m on turnover of SKr 7.4bn.

OECD PUTS INTEREST COST AT 10%

Fixed rate debt protects Third World

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

DEVELOPING COUNTRIES will manage to hold the overall interest cost on their foreign debt down to about 10.2 per cent this year despite the much higher levels now being charged on world capital markets, according to a new study by the Organisation for Economic Co-operation and Development.

The study shows that they will pay interest on some $45.5bn on disbursed debt at the start of the year of $456.2bn. This is substantially more than the $34.9bn paid on debt of $397.3bn last year but this year's rates are still "hardly positive in real terms," the OECD says.

The bulk of the debt is at fixed rates of interest costing an average 6.2 per cent, it explains. This offsets the effect of an increase in charges on floating rate debt to 15 per cent this year from 13.3 per cent last and only 12 per cent in 1979.

Rates on fixed rate finance are low because much of it is subsidised in the form of aid loans and export credits.

The study thus argues that most developing countries have been less exposed to the fluctuations of interest rates than some observers have previously suggested. Moreover many of them have large external assets which tend to be invested at short term and at floating rates of interest which tends to have a positive effect in reducing their net interest burden.

Overall, it says, the current debt of the Third World, expected to reach $524bn in 1981, gives room neither for complacency nor for alarm. Much of the increase in recent years has been illusory as it simply reflects inflation.

"There is no general debt problem calling for general solutions. Acute debt servicing difficulties have remained exceptional, have affected only a few countries, and have been effectively dealt with, on a case-by-case basis, in a multilateral framework," the OECD says.

But it warns that high interest rates and depressed world export markets may force many developing countries to implement strong adjustment policies from this year onwards in order to reduce their current account deficits.

Moreover the countries which have large net floating rate debts also face the highest debt service burdens. It notes that the overall share of floating rate debt in Third World borrowing rose from 16 per cent in 1979 to 24 per cent in 1981.

Brazil and Mexico stand out in this respect, representing in 1981 the near totality of net floating rate Third World debt. For these countries debt service payments (including amortisations) are put at $16bn and $12.2bn respectively this year.

Argentina, South Korea, Morocco, the Philippines, and the Ivory Coast also have significant net floating interest debt, but others, such as India, Colombia, and Malaysia still have significant net floating rate assets.

Japan may have placed bonds with SAMA

By Richard C. Hanson in Tokyo

JAPAN'S Ministry of Finance is understood to have issued Y40bn worth of bonds directly to the Saudi Arabian Monetary Authority (SAMA) over the past two months. The Ministry yesterday refused to confirm or deny a report in a leading Tokyo financial daily that the bonds had been issued.

Such an issue of bonds to SAMA would mark the first occasion on which Japan has placed government bonds directly with a foreign purchaser. Hitherto, foreign central banks have purchased bonds through the Bank of Japan or through banks and securities houses after their flotation on Japan's domestic market.

The Government's apparent decision to start direct issues to SAMA reflects increasing official concern at the inability of the domestic capital market to absorb all of this year's bond issue. Including "conversion" bonds issued to finance maturing issues, the finance ministry originally planned to float Y13,200bn worth of bonds to cover revenue shortfalls during the 1981 fiscal year.

Difficulties in placing these bonds through a private underwriting syndicate of banks and securities houses prevented any public flotations during July and August. Public issues were resumed only in September, after the Government had agreed to raise the coupon rate on 10-year bonds by 0.4 per cent to 8.0 per cent.

The finance ministry believes that the worst of its problems in placing bonds through the syndicate are now over. However, an additional Y2,200bn of public flotations with the syndicate will be needed before the end of the fiscal year (March 31, 1982) if the issuing programme is to be adhered to. In the meantime the ministry's own Trust Fund Bureau has almost used up its quota for the fiscal year of Y3,500bn worth of bond purchases.

The problems of finding domestic buyers for the whole of the Government bond issue are not likely to end next year despite a Government plan to eliminate by 1984 issues of so called "current deficit covering" bonds. Deficit covering bonds at present constitute roughly half of the annual Government issue, with the remainder being accounted for by "construction" bonds.

Chairman elected for unified Hong Kong SE

By Our Hong Kong Correspondent

MR WOO HON-FAI has been elected the first chairman of the stock exchange of Hong Kong on a pledge to bring together stockbrokers from the present four exchanges in time for unification, which he said would take four years. Mr Woo, who is chairman of Hong Kong's second largest exchange, the Kam Ngan, received 583 votes from the 706 stockbrokers who went to the ballot box on Friday to determine the composition of the 21-member committee that will oversee the unification process.

He came in ahead of Mr Cham Siu-Leung (523 votes) and Mr Ronald Li (511), respectively the deputy chairman and chairman of the Far East Exchange, which accounts for the most brokers and has the largest turnover of the four exchanges. The Far East with ten members and the Kam Ngan with nine members have substantially provided the committee, while the Hong Kong Stock Exchange had only two members elected, and the small Kowloon Exchange no seats.

Mr Woo has taken a less conciliatory attitude to government regulation of the unified stock exchange than his chief rival in the election, Mr Ronald Li. He has also demanded reciprocation arrangements before overseas brokers are allowed full membership.

Mr Woo said he disagreed with some of the legislation the government has in mind to regulate the securities industry which, he said, might be suitable in London or New York but not for Hong Kong. He also said he would seek representation for brokers on the Securities Commission, the government-appointed body which suggests legislation and has a limited regulatory function.

Sharp well ahead at midway

BY YOKO SHIBATA IN TOKYO

SHARP CORPORATION, a leading Japanese manufacturer of electronic equipment, benefited from a boom in demand for office automation equipment and brisk sales of video tape recorders (VTRs) in the six months to September. Operating profits advanced by 29.6 per cent to Y18.51bn ($79m). Net profits were Y9.54bn, up 18.9 per cent, and sales Y293.18bn, up 18.9 per cent.

Profits per share were Y14.10 compared with Y13.16, and the interim dividend is raised by Y0.75 to Y4.5.

Sales of the industrial machinery sector (personal computers, copiers, medical equipment and semi-conductors) rose by 16.9 per cent and made the largest contribution to total turnover (33.7 per cent). In particular, Japanese character word processors, personal computers, and LSI showed strong sales growth.

The company lifted monthly VTR production to 80,000 units from 50,000 units, and sales of electronic equipment, including VTRs and colour televisions advanced by 35.1 per cent to account for 28 per cent of the total. Audio equipment sales rose by 26.3 per cent to account for 18 per cent.

Exports jumped by 29.4 per cent to account for 59.2 per cent of the total, with brisk sales of office equipment and VTRs.

Sharp suffered an exchange loss of Y20bn in the period but this was covered by increased selling prices.

Expenses on the issue of a Swiss Franc convertible debenture in July and for an (European Depositary Receipt) EDR share increase amounted to Y1.53bn but were covered by an increase of Y2.4bn in net financial revenue.

The company expects exchange losses of some Y8.2bn in the current half but, with good sales of VTRs and office automation equipment and brisk exports, full year operating profits are projected at Y38bn, up 30 per cent. Net profits are expected to reach Y20bn, up 23 per cent, on turnover of Y600bn, up 20 per cent.

The company plans to increase this year's capital outlays to Y50bn from the originally projected Y44bn for the further expansion of office automation equipment capacity.

Growth at Metcash since listing

BY JIM JONES IN JOHANNESBURG

METCASH, South Africa's largest cash and carry wholesale chain, has grown strongly since it was separated within the Kirsh Industries Group, the diversified liquor, wholesaling and insurance concern, and gained a Johannesburg stock exchange listing through a shell company on March 1.

In the 26 weeks ended August 29, the pre-tax profit was R8.61m ($8.9m), against R6.57m in the 27 weeks ended August 30 1980—and compares with R18.73m in the 53 weeks to February 28. Traditionally, Metcash has earned one third of its profits in the first half and two thirds in the second. First-half turnover was R329.9m ($342m), against last year's first-half figure of R253.1m and R540.7m for the full year.

The financial year-end has been changed from the last Saturday in February to the last Saturday in April. The current trading period will thus cover the 34 weeks to April 24.

● OVENSTONE INVESTMENTS, the South African holding company which has major interests in fishing and which has diversified into property and township development, increased its first-half pre-tax profit to R3.0m ($3.1m) in the six months ended August 31, from R2.28m in the corresponding period of 1980. Pre-tax profits for the year to February 28 were R5.09m. Turnover in the six months was R33.3m, against R27.9m in the first half of last year and R61.9m for last year as a whole.

The profit increase was achieved despite a reduced contribution from the international fishing division. The decline in this area was more than offset by better results from the property division. Lower catches in South African and Namibian waters has led the group to move part of its operations to Chile.

A$100m loan for Comalco

By Graeme Johnson in Sydney

COMALCO, THE Australian aluminium group has postponed a major rights issue to shareholders opting instead for a A$100m (US$113.63m) borrowing from CRA, the Australian mining subsidiary of Rio Tinto-Zinc Corporation of the UK and Kaiser Aluminium and Chemical Corporation, its two major shareholders. Each company owns 45 per cent of Comalco and will charge it 15 per cent interest initially on the borrowing which they will advance equally.

The move, announced yesterday, could be the forerunner for similar raisings by other major companies which feel the share market will not support the weight of large rights issues. Comalco however, is in the unique position of having a shareholding structure which lends itself to this type of major fund raising.

Repayments will be paid in five equal annual instalments starting in November, 1997, but it is unlikely the loan will be held for that long. Comalco made it clear yesterday it still would prefer to raise the funds through share issues.

CURRENCIES, MONEY and GOLD

Dollar eases

The dollar lost ground in currency markets yesterday following Friday's one percentage point cut in the U.S. discount rate to 13 per cent. Euro-dollar rates were correspondingly lower and the dollar came on offer in relatively thin trading.

Sterling improved against the dollar but eased slightly against European currencies. Its index showed an overall improvement while UK domestic rates showed an easier tendency.

European currencies showed little change within the European Monetary System yesterday. Interest rates showed an easier trend overall with the French franc maintaining its position as the strongest member, followed by the Danish krone. The D-mark eased slightly and was again the weakest currency, although it remained within its divergence limit.

DOLLAR—trade weighted index (Bank of England) fell to 107.6 from 108.8. The dollar's undertone remained weak with Euro-dollar rates falling half a point in places from Friday. The three-month rate eased to 15¼ per cent from 15¾ per cent and the six-month to 15⅝ per cent from 16 per cent. Against the D-mark the dollar eased to DM 2.2220 from DM 2.2425 and SwFr 1.8010 from SwFr 1.8300. It was also sharply weaker against the Japanese yen at Y229.10 from Y233.10.

STERLING—trade weighted index (Bank of England) rose to 88.9 from 88.7, having stood at 89.2 at noon and 89.3 in the morning. Against the dollar sterling opened at $1.8875 but had eased to $1.8750 by noon. During the afternoon it touched a low of $1.8675, recovering later to close at $1.8725-1.8735, a rise of 1.3c. Against the D-mark it fell to DM 4.1650 from DM 4.1700 and SwFr 3.3750 from SwFr 3.4050. It was also down against the French franc at FFr 10.43 from 10.5125.

D-MARK — Weakest member of the European Monetary System following the recent currency realignment and now trading close to its divergence limit which should help prevent earlier strains on the EMS if the D-Mark suddenly improves against the dollar. However the German currency has lost ground to the dollar recently reflecting not only a continually wide interest rate differential but a less favourable economic outlook for the Federal Republic next year. Inflation continues to rise and GNP projections have been revised downwards — The Bundesbank sold $21.4m at yesterday's fixing in Frankfurt and the dollar fell to DM 2.2320 from DM 2.2542 on Friday. The dollar recovered from an early rate of DM 2.2080 however, but dealers suggested that this was mainly attributable to some position squaring in a very thin market.

Elsewhere the D-Mark showed mixed changes. The French franc rose to DM 39.84 per FFr 100 from DM 39.83 and sterling was higher at DM 4.1730 from DM 4.1630 while the Dutch guilder eased to DM 90.6750 per Fl 100 from DM 90.74 and the Belgian franc was lower at DM 5.9720 per BFr 100 from DM 5.9810.

ITALIAN LIRA — Trading around the middle of the EMS after its recent devaluation. However economic fundamentals will leave the lira vulnerable to any sustained improvement in the D-Mark — The lira was mostly weaker at yesterday's fixing in Milan, losing ground against its EMS partners, sterling and the Swiss franc. However the dollar was weaker at L1,187.55 from L1,200.05, reflecting lower U.S. interest rates. Sterling rose to L2,225.5 from L2,213.5 and the Swiss franc was fixed at a record high of L653.75 from L649.85. Within the EMS the D-Mark rose to L532.67 from L532 and the French franc was higher at L212.82 from L211.65.

THE DOLLAR SPOT AND FORWARD

Nov 2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8675-1.8875	1.8725-1.8735	0.22-0.12c pm	1.09	0.22-0.12 pm	0.36
Ireland†	1.5865-1.6030	1.5920-1.5950	0.45-0.35c pm	3.01	1.00-0.80 pm	2.26
Canada	1.1984-1.2000	1.1996-1.1999	0.35-0.38c dis	−3.65	0.83-0.88dis	−2.85
Nethlnd.	2.4375-2.4610	2.4475-2.4495	0.47-0.37c pm	2.06	1.61-1.51 pm	2.56
Belgium	37.08-37.30	37.11-37.13	8-13c dis	−3.39	32-37 dis	−3.71
Denmark	7.1150-7.1850	7.1400-7.1500	½-¼ore pm	0.63	¼ pm-¼ dis	—
W. Ger.	2.2030-2.2340	2.2215-2.2225	0.72-0.66pf pm	3.73	2.21-2.15 pm	3.92
Portugal	63.85-64.45	64.25-64.45	35-185c dis	−20.51	55-325 dis	−11.81
Spain	94.85-95.10	95.00-95.05	5-15c dis	−1.26	20-35 dis	−1.16
Italy	1,174-1,188	1,174-1,176	5¼-6½lire dis	−6.32	20-22 dis	−7.03
Norway	5.8550-5.8770	5.8650-5.8750	0.50-0.10ore pm	0.61	2.20-1.80 pm	1.36
France	5.5400-5.6050	5.5675-5.5725	0.45-0.75c dis	−1.29	2.50-3.20dis	−2.04
Sweden	5.4800-5.5100	5.5000-5.5100	0.85-0.70ore pm	1.69	3.55-3.40 pm	2.52
Japan	228.50-230.50	229.05-229.15	1.70-1.55y pm	8.51	5.05-4.90 pm	8.69
Austria	15.54-15.64	15.55½-15.56½	5-3½gro pm	3.28	13-9 pm	2.83
Switz.	1.7950-1.8170	1.8005-1.8015	0.78-0.68c pm	4.86	2.13-2.03 pm	4.62

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

THE POUND SPOT AND FORWARD

Nov 2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.8675-1.8875	1.8725-1.8735	0.22-0.12c pm	1.09	0.22-0.12 pm	0.36
Canada	2.2375-2.2630	2.2450-2.2460	0.35-0.45c dis	−2.40	1.20-1.40dis	−2.32
Nethlnd.	4.56-4.62	4.58½-4.59½	1⅝-⅞c pm	2.94	3⅝-3⅛ pm	2.94
Belgium	69.20-70.00	69.45-69.55	16-26c dis	−3.63	63-73 dis	−3.91
Denmark	13.34-13.46	13.39½-13.40½	2¼-1¼ore pm	1.57	1½ pm-par	0.22
Ireland	1.1690-1.1810	1.1750-1.1765	0.12-0.24p dis	−1.84	0.45-0.64dis	−1.85
W. Ger.	4.14-4.18	4.16-4.17	1⅞-1½pf pm	4.68	4⅝-4⅛ pm	4.20
Portugal	119.50-121.00	120.30-120.70	30-340c dis	−18.42	85-610 dis	−11.54
Spain	177.00-178.50	178.00-178.20	10c pm-10 dis	—	20-45 dis	−0.73
Italy	2,207-2,227	2,219-2,221	8-11lire dis	−5.14	33-38 dis	−6.40
Norway	10.96-11.03	10.97-10.98	2¼-1ore pm	1.78	5½-4½ pm	1.80
France	10.40-10.50	10.42½-10.43½	¼c pm-¼ dis	−0.29	3½-4½ dis	−1.53
Sweden	10.26-10.34	10.29½-10.30½	2¼-2ore pm	2.77	8¼-7½ pm	3.06
Japan	426-433	429-430	3.50-3.20y pm	9.36	9.30-8.90 pm	8.47
Austria	29.00-29.35	29.17-29.22	13-8gro pm	4.32	29-19 pm	3.29
Switz.	3.37-3.42	3.37-3.38	1⅞-1⅜c pm	5.78	4⅝-4⅛ pm	5.19

Belgian rate is for convertible francs. Financial franc 77.15-77.25. Six-month forward dollar 0.23-0.13c pm. 12-month 0.35-0.55c dis.

CURRENCY MOVEMENTS

Nov. 2	Bank of England Index	Morgan Guaranty Changes %
Sterling	88.9	−34.7
U.S. dollar	107.6	+1.6
Canadian dollar	87.5	−17.1
Austrian schilling	119.0	+25.1
Belgian franc	107.7	+10.1
Danish kroner	89.4	−8.2
Deutsche mark	123.7	+44.5
Swiss franc	152.9	+103.5
Guilder	114.9	+19.4
French franc	82.5	−13.2
Lira	56.2	−57.4
Yen	137.8	+32.5

Based on trade weighted changes from Washington agreement December, 1971. Bank of England Index (base average 1975=100).

CURRENCY RATES

Oct. 30	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.623946	0.586509
U.S. $	14	1.15118	1.08358
Canadian $	18.21	1.38498	1.30452
Austria Sch.	6¾	18.2071	17.1313
Belgian F	13	43.4326	40.8670
Danish K	11	8.35181	7.85865
D mark	7½	2.59499	2.43804
Guilder	9	2.86183	2.68727
French Fr	9½	6.52546	6.13053
Lira	19	1381.42	1299.75
Yen	6¼	269.146	252.906
Norwgn. Kr.	9	6.84952	6.44727
Spanish Pts.	8	111.047	104.511
Swedish Kr.	11	6.40286	6.02739
Swiss Fr.	6	2.12681	2.00136
Greek Dr'ch.	20½	—	61.7530

OTHER CURRENCIES

Nov. 2	£	$		£ Note Rates
Argentina Peso	11,703-11,723†	6237-6257†	Austria	29.05-29.35
Australia Dollar	1.6405-1.6445	0.8750-0.8755	Belgium	76.40-77.40
Brazil Cruzeiro	214.19-215.19	114.26-114.83	Denmark	13.34-13.49
Finland Markka	8.18-8.19	4.3680-4.2700	France	10.40-10.55
Greek Drachma	102.946-106.097	56.10-56.30	Germany	4.14½-4.19½
Hong Kong Dollar	10.89-10.91	5.8230-5.8280	Italy	2190-2250
Iran Rial	147.50*	80.00*	Japan	431-436
Kuwait Dinar (KD)	0.524-0.530	0.2811-0.2813	Netherlands	4.54¼-4.59¼
Luxembourg Fr	69.45-69.55	37.11-37.13	Norway	10.95-11.07
Malaysia Dollar	4.2550-4.2650	2.2760-2.2780	Portugal	119-130
New Zealand Dlr.	2.2680-2.2730	1.2085-1.2095	Spain	176-188
Saudi Arab. Riyal	6.48-6.54	3.4200-3.4220	Sweden	10.27-10.37
Singapore Dollar	3.8850-3.8950	2.0780-2.0800	Switzerland	3.37½-3.41½
Sth. African Rand	1.7950-1.7970	0.9585-0.9595	United States	1.86¼-1.88¼
U.A.E. Dirham	6.86-6.92	3.6715-3.6745	Yugoslavia	81-85

† Rate given for Argentina is the commercial rate. The financial rate for sterling is 17,193-17,213 and for the dollar 9,150-9,200. *Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU November 2	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	40.7572	40.8074	+0.12	−0.11	±1.5368
Danish Krone	7.91117	7.85349	−0.73	−0.96	±1.6412
German D-Mark	2.40989	2.43984	+1.23	+1.00	±1.1077
French Franc	6.17443	6.12110	−0.86	−1.09	±1.3733
Dutch Guilder	2.66382	2.69263	+1.08	+0.85	±1.5063
Irish Punt	0.684452	0.689178	+0.69	+0.46	±1.6688
Italian Lira	1300.67	1301.22	+0.04	+0.04	±4.1229

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

Sterling/ECU rate for November 2 .... 0.586160

EXCHANGE CROSS RATES

Nov. 2	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canadia Dollar	Belgian Franc
Pound Sterling	1.	1.875	4.165	429.5	10.43	3.375	4.590	2220.	2.246	69.50
U.S. Dollar	0.534	1.	2.224	229.3	5.569	1.802	2.451	1185.	1.199	37.11
Deutschemark	0.240	0.450	1.	103.1	2.504	0.810	1.102	533.0	0.539	16.69
Japanese Yen 1,000	2.328	4.361	9.697	1000.	24.28	7.858	10.69	5169.	5.228	161.8
French Franc 10	0.959	1.796	3.993	411.8	10.	3.236	4.401	2128.	2.153	66.63
Swiss Franc	0.296	0.555	1.234	127.3	3.090	1.	1.360	657.8	0.665	20.59
Dutch Guilder	0.218	0.408	0.907	93.57	2.272	0.735	1.	483.7	0.489	15.14
Italian Lira 1,000	0.450	0.844	1.876	193.5	4.698	1.520	2.068	1000.	1.011	31.31
Canadian Dollar	0.445	0.834	1.855	191.3	4.645	1.503	2.044	988.6	1.	30.95
Belgian Franc 100	1.439	2.695	5.993	618.0	15.01	4.856	6.604	3194.	3.231	100

FT LONDON INTERBANK FIXING (11.00 a.m. NOVEMBER 2)

3 months U.S. dollars		6 months U.S. dollars	
bid 15 3/16	offer 15 5/16	bid 15 3/8	offer 15 1/2

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

Nov. 2	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	15¾-16	14⅜-14⅝	18-19	12⅝-12¾	5-5½	10½-11⅛	15½-16	—	14-16	5½-6⅛
7 days' notice	15⅞-16	14⅜-14⅝	18-19	12⅝-12¾	7-7½	10⅞-11⅛	15½-16	19-21½	15-18½	6½-6½
Month	15⅞-16⅛	14⅛-14¾	18⅝-18¾	12⅞-12⅞	9⅛-9⅞	11-11⅛	15¾-16⅛	20½-21½	18¼-19½	6½-6⅞
Three months	15⅞-16	15⅛-15⅜	18⅜-18⅝	12⅞-12⅞	10⅛-10⅝	11⅛-11⅛	17¼-17⅝	22-23	18⅜-19⅜	7⅛-7⅜
Six months	15⅞-16	15⅜-15⅝	18⅜-18¾	12⅞-12⅞	10⅛-10⅝	11⅛-11⅛	18⅛-18½	22½-23½	18⅜-19	7⅛-7⅜
One Year	15½-15⅝	15⅛-15¾	18⅜-18¾	12¼-12⅝	9⅞-9⅞	11-11⅛	18⅝-19	23½-24⅛	17⅛-17⅝	7⅛-7⅜

SDR Linked deposits: one month 13⅞-13⅞ per cent; three months 13⅞-14⅛ per cent; six months 13⅞-14⅛ per cent; one year 14-14¼ per cent.

ECU linked deposits: one month 14⅝-14⅞ per cent; three months 15-15⅜ per cent; six months 15⅛-15½ per cent; one year 15⅜-15⅝ per cent.

Asian $ (closing rates in Singapore): one month 14⅞-14⅞ per cent; three months 15¼-15⅜ per cent; six months 15⅜-15⅝ per cent; one year 15⅜-15⅝ per cent. Long-term Eurodollar two years 16-16¼ per cent; three years 16⅛-16⅜ per cent; four years 16¼-16½ per cent; five years 16¼-16½ per cent nominal closing rates.

The following nominal rates were quoted for London dollar certificates of deposit: one month 14.50-14.60 per cent; three months 14.90-15.00 per cent; six months 14.95-15.05 per cent; one year 15.10-15.20 per cent.

MONEY MARKETS

Rates fall

London clearing bank base lending rates 15½ per cent (since October 15)

Interest rates eased in Europe yesterday, following the lower trend in U.S. rates last week. Some of the major U.S. banks cut their prime rates by ½ per cent to 17½ per cent, led by Continental Illinois on Thursday, while the Federal Reserve reduced its discount rate to 13 per cent from 14 per cent on Friday.

In London short term rates fell by about ½ per cent; and in Frankfurt and Amsterdam rates were also reduced, with German call money easing to 11.05 per cent from 11.10 per cent, and Amsterdam call money to 12½-12¾ per cent from 12¾-13 per cent. Paris was closed for a religious holiday, but on Friday the Bank of France cut its money market intervention rate by ½ per cent to 15¼ per cent.

In the London interbank market three-month funds fell to 15⅞ per cent from 16⅛ per cent, but seven-day money finished at 15⅞ per cent, little changed from Friday's closing level. The fall in fixed period rates reflected trends in the U.S., but the relative strength of one-week money was in line with the shortage of overnight funds towards the close. The interbank overnight rate opened at 15½-16 per cent and fell to 15¼-15¾ per cent, after the help given by the authorities in the morning, but then rose to a peak of 16-16½ per cent. It touched a low of 15-15½ per cent, and finished at around 18 per cent. Market sources suggested that conditions were again distorted by the demand for money for the Cable and Wireless share offer.

Day-to-day credit was in short supply, and the Bank of England forecast that about £100m would be required to bring the market into balance, but the amount of assistance given was £148m in the morning through purchases of local authority and bank bills. No further help was provided in the afternoon.

The main factors were expected to be: maturing bills in official hands and the market take-up of Treasury bills −£180m; Exchequer transactions −£50m; repayment of Friday's loans to the market −£120m; a fall in the note circulation +£95m; and above target bank balances +£145m.

The authorities bought £4m local authority bills in band 2 (15-33 day maturities) at 15⅞ per cent; £81m bank bills in band 1 (up to 14 day maturities) at 15½-15⅞ per cent; and £63m bank bills in band 2 at 15⅜-15⅞ per cent.

From today World Value of the Pound can be found with the Stock Exchange Report (Page 28).

GOLD

Firmer trend

Gold finished $4 an ounce higher than Friday's close in the London bullion markets yesterday at $431-433. It opened at $431-432 and was fixed at $431.0 during the morning and $430.0 in the afternoon. Trading was generally quiet with the firmer trend attributable to the dollar's recent weakness.

In Frankfurt the 12½ kilo bar was fixed at DM 30,980 per kilo ($432.98 per ounce) compared with DM 31,255 ($431.02) on Friday and closed at $430-431 from $426-427.

In Zurich gold finished at

	Nov. 2		Oct. 30	
Gold Bullion (fine ounce)				
Close	$431-433	(£230-231)	$427-429	(£231½-232½)
Opening	$431-432	(£229¾-229¾)	$428-429	(£232-232½)
Morning fixing	$431	(£229.965)	$429	(£232.520)
Afternoon fixing	$430	(£229.395)	$427	(£231.248)
Gold Coins				
Krugerrand	$444½-445½	(£236¾-237¼)	$441-442	(£239-239½)
1/2 Krugerrand	$229-230	(£122-122½)	$227-228	(£123-123½)
1/4 Krugerrand	$116¾-117¾	(£62¼-62¾)	$115¾-116¾	(£62¾-63¼)
1/10 Krugerrand	$47¾-48¾	(£25½-26)	$47½-48½	(£25½-26)
Mapleleaf	$444½-447½	(£236¾-238½)	$441-444	(£239-240½)
New Sovereigns	$105¾-106¼	(£56¼-56½)	$104½-105½	(£56¾-57)
King Sovereigns	$113-115	(£60¼-61½)	$116-118	(£63-64)
Victoria Sovs	$113-115	(£60¼-61½)	$116-118	(£63-64)
French 20s	$100-110	(£53¼-58½)	$99-109	(£53½-59)
50 pesos Mexico	$534-537	(£284¼-286)	$500-535	(£287-288½)
100 Cor. Austria	$417-420	(£222-223¾)	$414-417	(£224½-226)
$20 Eagles	$567-572	(£302-304¾)	$565-570	(£306-308½)

LONDON MONEY RATES

Nov. 2 1981	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	15-18	15¾-16¼	—	—	16-16¼	14½-15¾	—	—	—
2 days notice	—	—	15⅞-16	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	15¾-16	16	—	—	16¼-16⅜	15¼-15¾	—	—	—
One month	16-15⅞	15⅞-16⅛	16	16⅜-16	16⅛	16⅛	15¼-15⅝	15⅝-15⅞	15	16¼
Two months	15⅞-15⅞	15⅞-16⅛	—	16⅝-16	16⅛	16¼-16⅜	15¼-15⅝	15⅝-15⅞	15⅞-15⅞	16
Three months	15⅞-15⅝	15⅞-16⅛	16	16¼-16	16⅛	16¼	15¼-15⅝	15⅞	15⅞-15	15⅞
Six months	16⅛-15½	15⅞-15⅝	16	15-14¾	15⅞	16⅛	—	—	14⅞-14⅞	15⅞
Nine months	16⅛-15⅞	15⅞-15¾	—	16-15⅝	15¾	16	—	—	—	—
One year	15⅞-16¼	15⅛-15¾	15¾	15⅝-15¼	15¾	16	—	—	—	—
Two years	—	—	15¾	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates nominally three years 15⅞ per cent; four years 15⅞ per cent; five years 15⅞ per cent. ♦Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 14⅞-15 per cent; four-month trade bills 15¾ per cent.

Approximate selling rate for one-month Treasury bills 16¼ per cent; two months 15⅞-15⅞ per cent; three months 15⅞ per cent. Approximate selling rate for one-month bank bills 15⅞ per cent; two months 15⅞-15⅞ per cent and three months 15-15⅞ per cent; one month trade bills 16 per cent; two months 15⅞ per cent; three months 15⅞ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 16 per cent from November 1, 1981. Clearing Bank Deposit Rates for sums at seven days' notice 14 per cent. Clearing Bank Rates for lending 15½ per cent. Treasury Bills: Average tender rate of discount 15.6619 per cent.

MONEY RATES

NEW YORK	
Prime rate	17½-18
Fed. funds	14½-14¾
Treasury bills (13-week)	12.72
Treasury bills (26-week)	12.83
GERMANY	
Special Lombard	11.0
Overnight rate	11.05
One month	11.275
Three months	11.55
Six months	—
FRANCE	
Intervention rate	15.25
Overnight rate	15.75
One month	15.5625
Three months	15.5625
Six months	15.5625
JAPAN	
Discount rate	6.25
Call (unconditional)	7.0625
Bill discount (three-month)	7.40625

FT UNIT TRUST INFORMATION SERVICE

OFFSHORE & OVERSEAS FUNDS

WORLD STOCK MARKETS

Wall St up sharply at 1pm

CUTS IN the Prime Rate by several major banks kept stocks sharply higher on Wall Street at mid-session.

The Dow Jones Industrial Average was up 12.08 to 864.63 at 1 pm. Advances led declines by six-to-one on volume of 45.9m shares. The NYSE All Common index was up $1.12 at $71.76.

The market's rapid uptrend started on Friday after projections that interest rates would decline over the near-term. And then, the Federal Reserve cut the discount rate to 13 per cent from 14 per cent.

The rally received further support when several major banks cut their prime rate to 17½ per cent to 18 per cent after a move to that level by Continental Illinois on Thursday.

Analysts said Mobil's $3.4bn bid for Marathon Oil on Friday aided the market by sparking a resumption of takeover speculation in energy stocks.

Those issues had substantial price gains this summer in the wake of the bidding war for Conoco, in which Mobil took part. Several of the same stocks attracted considerable attention from investors yesterday.

Among Energy issues with gains, Cities Service rose $1¾ to $50¼, Mesa Petroleum $1½ to $23¾, Kerr McGee $2 to $76¼, Geo International $2¼ to $36½ and Getty Oil $1¾ to $64½.

Sedco, which holds a 5.5 per cent stake in Marathon, added $1¼ to $37¾. Trading in Marathon is halted.

Blue Chip and Glamour stocks were strong, with IBM up $1¼ to $52½. General Motors $1½ to $38, ATT $¾ to $59¾, Eastman Kodak $1¾ to $66¾, Digital Equipment $2½ to $100¾ and Storage Technology $¾ to $40.

Oil stocks were strong. Standard Indiana added $1¾ to $52¼, Atlantic-Richfield $1¼ to $49¾, Phillips $¾ to $42 and Exxon $¾ to $30½.

Schlitz, which reported flat earnings on Friday, dropped $1 to $11¼. Gino's, holding merger talks with Marriott, advanced $1 to $16½.

The American SE Market Value Index was up 7.26 to 319.28 at 1 pm on volume of 5.4m shares.

Closing prices for North America were not available for this edition.

Canada

Stock prices were up sharply with all of the index groups posting advances at midsession.

The Toronto composite index was up 26.8 points at 1,869.8 at midday on volume of 2.16m shares. Advances led declines by more than two to one.

The oil and gas index advanced 103.3 to 3,685.9, real estate was up 133.0 at 5,713.0, and the metals gained 25.8 to 1,685.1.

Most active, Dome Petroleum rose C$¾ to C$15, Gulf Canada rose C$1 to C$20¼, Hudson's Bay Oil and Gas was up C$¼ at C$42¾, and Husky Oil rose C$¼ to C$12¼.

Australia

Encouraged by Wall Street's better performance on Friday, the market's trading week got off to a bright start yesterday.

The Sydney All Ordinaries index was up 7.4 at 556.5 in tight market volume except for some heavy trades in TNT.

Buying, which seemed to be largely on the part of small investors, was concentrated on the resource leaders with BHP, CSR, MIM, WMC, CRA, Santos and EZI setting the pace.

Gold mining stocks were very firm. Banks improved and there was support for retailers on a prediction that Christmas trading would be at record levels.

Hong Kong

The stock market closed firm after an initial rally met follow-through demand from abroad and locally.

The Hang Seng Index rose 89.19 to 1,370.90 following Thursday's 11.43 gain. The market was closed Friday for an exchange election.

The U.S. discount rate cut, and reductions in other U.S. interest rates last week, prompted speculation on a possible fall in local interest rates which aided the market.

Leaders performed well, the dealers said. Cheung Kong advanced HK$2.10 to HK$22.40, Jardine Matheson HK$2 to HK$16.60 and Hutchison Whampoa HK$1.50 to HK$17.90.

Hongkong Bank was up 80 cents to HK$14.70, Hongkong Land 90 cents to HK$9.50, Hongkong Wharf 45 cents to HK$5.95 and Swire Pacific 'A' 70 cents to HK$12.30.

Second liners also showed strength. Associated Hotels rose 95 cents HK$[illegible], Sun Hung Kai Securities 25 cents to HK$4, Carrian Investment 65 cents to HK$6.60, Trafalgar Housing 35 cents to HK$3.70 and Sino Land 9 cents to HK$1.09.

Tokyo

The market gained added strength yesterday on news of a cut in the U.S. official discount rate.

The Nikkei Dow Jones Index went up 40.21 to close at 7,539.63. Yesterday marked a seventh consecutive session in which the Dow index gained.

Trading was fairly active. Volume in the first section totalled about 330m shares, up from about 250m in Saturday's half-day session but down from 460m on Friday, a full day.

Brokers said the U.S. Fed decision to cut the bank rate by 1 percentage point to 13 per cent gave a boost to the stock market.

The yen's rise against the dollar following the Fed decision was another factor contributing to the market's strength.

The U.S. discount rate reduction has raised speculation in Tokyo that the Bank of Japan may lower its discount rate to help the economy recover fully from the stagnation that followed the second round of sharp oil price increases in ???

Blue Chips rose on a broad front. Sony gained Y60 to Y4,290 and Hitachi Y11 to Y669.

Though few foreigners were in the market, Japanese investors, anticipating them returning back in droves because of the U.S. discount rate cut and the yen's rise, were trying to outmanoeuvre them, brokers said.

Industrial robot manufacturers suffered setbacks on reports that demand for numerically controlled machine tools has been slowing because of over-production. Such highly-specialised robot makers as Fujitsu Fanuc, however, held ground.

Pharmaceuticals, which had been gaining strength steadily in the recent sessions, ended the day mixed. Those which had posted gains in the recent past faced profit-taking, while slow-starters drew attention, brokers said.

Energy shares and steel were also firm.

Singapore

Share prices closed higher on light buying support in quiet selective trading.

Central Sugars rose 20 cents to S$12.80, Genting 18 to S$8.10, Hong Leong Finance 30 to S$6.10, and Malayan Bank 20 to S$8.00. Elsewhere, Haw Par, Magnum, Pegi, Sime Darby, United Motor Works, Development Bank, Oversea Chinese Bank and United Overseas Bank advanced between 5 and 15 cents.

The Straits Times Index was up 8.86 at 642.72.

Johannesburg

Shares were mixed to slightly easier at yesterday's close, though many were still up on Friday's closing levels, as a slight softening in the gold price produced some late selling.

Heavyweights had Driefontein 25 cents up at R33.25, Hartiex 25 up at R72.75 and Western Deep unchanged at R46.50. Mining financials had Gencor 25 lower at R25.25 and Anglos up 10 at R17.80.

Industrials were mixed though Mitchell Cotts advanced 80 cents to R4.65. In other minerals Impala lost 10 to R9.60.

Indices

NEW YORK —DOW JONES

	Oct. 30	Oct. 29	Oct. 28	Oct. 27	Oct. 26	Oct. 23	1981 High	1981 Low	Since Cm'pil't' High	Since Cm'pil't' Low
♦Industr'ls	852.55	852.35	837.51	838.58	830.96	837.99	1024.05 (27/4)	824.01 (25/9)	1051.70 (11 1/73)	41.22 (2/7/32)
H'me Bnds.	56.00	55.48	55.52	56.19	56.51	56.76	55.78 (15/1)	54.99 (1/10)	—	—
Transport.	375.60	370.22	374.60	370.56	366.17	367.16	447.58 (16/4)	335.48 (25/9)	447.38 (16/4/81)	12.23 (8/7/32)
Utilities	106.85	104.88	104.60	104.81	105.45	103.19	117.81 (5/1)	101.28 (28/9)	163.32 (20/4/69)	10.5 (28/4/42)
Trading Vol 000's	58,660	46,070	48,100	53,030	38,210	41,990	—	—	—	—

♦Day's high 854.83, low 826.96.

Ind. div. yield %	Oct. 23	Oct. 16	Oct. 9	Year ago (approx)
	6.58	6.46	6.30	5.71

STANDARD AND POORS

	Oct. 30	Oct. 29	Oct. 28	Oct. 27	Oct. 26	Oct. 23	1981 High	1981 Low	Since Cmpil't'n High	Since Cmpil't'n Low
Indust'ls	136.06	132.87	133.37	133.26	132.00	132.52	157.02 (6/1)	126.49 (24/9)	160.96 (28/11/80)	3.52 (30/6/32)
Composite	121.89	119.06	119.45	119.29	118.16	118.60	138.12 (6/1)	116.81 (24/9)	140.52 (28/11/80)	4.40 (1/6/32)

	Oct. 28	Oct. 21	Oct. 14	Year ago (approx)
Ind. div. yield %	5.54	5.37	5.33	4.38
Ind. P/E Ratio	8.14	8.20	8.11	8.86
Long Gov. Bond yield	14.70	14.63	14.08	12.25

NY. S.E. ALL COMMON

Oct. 30	Oct. 29	Oct. 28	Oct. 27	1981 High	1981 Low
70.64	69.09	69.34	69.20	79.14 (6/1)	64.96 (25/9)

Rises and Falls

	Oct. 30	Oct. 29	Oct. 28
Issues Traded	1,900	1,895	1,874
Rises	1,205	572	833
Falls	362	879	614
Unchanged	333	444	427
New Highs	43	20	37
New Lows	48	57	40

MONTREAL

	Oct. 30	Oct. 29	Oct. 28	Oct. 27	1981 High	1981 Low
Industrials	314.92	313.87	316.88	320.10	409.56 (27/5)	310.21 (25/3)
Combined	298.51	297.29	300.06	302.06	375.26 (15/6)	293.67 (25/9)
TORONTO Composite	1842.6	1829.9	1853.7	1865.1	2376.8 (10/4)	1812.48 (25/9)

	Nov. 2	Oct. 30	Oct. 29	Oct. 28	1981 High	1981 Low
AUSTRALIA						
All Ord. (1/1/80)	555.5	549.1	545.8	556.8	737.5 (6/4)	545.8 (29/10)
Metal & Minrls (1/1/80)	426.5	419.0	410.6	425.8	755.2 (7/1)	410.6 (29/10)
AUSTRIA						
Credit Aktien (2/1/62)	54.68	54.41	54.45	54.48	66.45 (6/1)	55.64 (15/10)
BELGIUM						
Belgian SE (31/12/63)	(c)	72.81	72.15	71.81	88.15 (17/2)	69.53 (16/6)
DENMARK						
Copenhagen SE (1/1/73)	118.45	118.58	118.22	118.28	119.90 (25/8)	95.96 (2/1)
FRANCE						
CAC General (29/12/61)	(c)	88.80	88.5	86.7	112.5 (17/5)	77.3 (15/6)
Ind Tendance (31/12/80)	(c)	95.40	95.5	95.8	109.5 (10/9)	79.2 (12/6)
GERMANY						
FAZ-Aktien (31 12/58)	225.75	220.01	220.75	221.86	245.47 (6/7)	215.69 (9/2)
Commerzbank(Dec 1953)	684.40	674.0	675.5	681.5	749.0 (6/7)	666.4 (18/2)
HOLLAND						
ANP-CBS General (1970)	85.30	81.70	82.5	82.9	86.9 (20.8)	79.5 (29/9)
ANP-CBS Indust (1970)	61.60	61.60	62.4	63.5	75.4 (22/9)	61.5 (30/10)
HONG KONG						
Hang Seng Bank (31/7/64)	1370.90	(c)	1281.71	1270.28	1810.20 (17/7)	1115.77 (5/10)
ITALY						
Banca Comm Ital (1972)	182.90	184.96	184.07	182.41	282.06 (5/6)	168.44 (24/7)
JAPAN(**)						
Dow Average (16/5/49)	7539.63	7449.46	7429.25	7521.88	8019.14 (17/8)	6956.52 (13/3)
Tokyo New SE (4/1/68)	554.91	549.54	548.21	541.56	605.92 (17/8)	495.79 (5/1)
NORWAY						
Oslo SE (1/1/72)	155.81	152.72	151.46	150.59	145.72 (6/8)	119.54 (5/8)
SINGAPORE						
Straits Times (1966)	642.72	633.86	634.36	636.54	973.26 (26/8)	615.28 (1/8)
SOUTH AFRICA						
Gold (1958)	—	—	656.8	671.4	797.6 (7/1)	475.6 (6/7)
Industrial (1958)	—	—	691.1	694.0	709.4 (21/10)	537.2 (6/2)
SPAIN						
Madrid SE (30/12/80)	127.80	127.86	125.17	124.90	146.15 (8/9)	100.46 (2/1)
SWEDEN						
Jacobson & P. (1/1/58)	604.17	592.59	584.77	585.17	660.51 (19/8)	494.17 (20/1)
SWITZERLAND						
SwissBankCpn. (31/12/58)	251.40	246.20	246.0	248.5	304.2 (2/4)	245.5 (26/10)
WORLD						
Capital Intl. (1/1/70)	—	140.3	137.6	137.7	162.8 (6/1)	133.8 (28/9)

(**) Sat. Oct. 31: Japan Dow 7,499.42, TSE 552.62.

Base values of all indices are 100 except Australia All Ordinary and Metals—500; NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 industrials. § 400 industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Citicorp	2,294,400	25⅞	+1½	Mid-So. Utl.	685,700	12⅞	+ ⅛
Am. Hme. Prd.	935,000	36⅞	+ ⅝	Exxon	682,900	30⅞	− ⅛
IBM	873,200	51¾	+2½	General Motors	681,400	36½	+ ⅜
South. Royal	862,600	30¾	+1⅛	Texas Utilities	636,500	20¾	+ ⅛
Santa Fe Int.	734,600	44¼	+ ⅛	Diamond Sham.	584,100	26	+1¾

Buffer stock move lifts cocoa price

BY OUR COMMODITIES STAFF

COCOA FUTURES moved up sharply yesterday afternoon after the International Cocoa Organisation's (ICCO) buffer stock manager resumed support buying operations, halted three weeks ago.

Prices had fallen early in the day but the news prompted an upsurge which lifted nearby values by as much as £40 from the lows. By the close, the March position on the London futures market, which had earlier fallen to £1,153 a tonne and risen to £1,195, stood at £1,186.50 a tonne up £18 on the day.

The rise started after the buffer stock manager announced he was a buyer of November-December delivery physical cocoa at $2,160 a tonne. This price was regarded by dealers as too low to attract any worthwhile offers, but nevertheless gave the market a psychological boost and prompted speculation that the buffer stock manager had been able to negotiate acceptable credit terms to secure extra price support funds to add to the $230m carried forward from the last agreement.

Awareness that this figure represented only about 90,000 tonnes of cocoa out of world stocks of over 500,000 tonnes, was largely responsible for the failure of earlier attempts at support buying, which were abandoned on October 7 after prices had persisted on their downward path.

The buffer stock manager was given permission to investigate borrowing possibilities by the ICCO late last month at which timehe was also given greater flexibility on the operation of his buying programme. Previously he had to announce his buying price a day in advance and stick to it. Now he can set it on the day of purchases and change it at any time in accordance with market conditions.

The support buying is intended to lift the market to the "floor" level of 110 cents a pound set under the International Cocoa Agreement. With the ICCO indicator price remaining below 95 cents a pound, however, this prospect seems as far off as ever.

Sugar output forecast up

WASHINGTON.—World sugar production in the 1981/82 season is estimated at 95.8m tonnes, up from an earlier forecast of between 90m and 94m tonnes and the 86.1m tonnes produced in the previous year, Mr Dawson Ahalt, U.S. Deputy Assistant Agriculture Secretary for Economics said here yesterday.

Mr Ahalt told the U.S. Agriculture Department's annual agricultural outlook conference, world consumption will also increase from last season's 89.1m tonnes, but not enough to prevent a large increase in world stocks.

Output of sugar cane and beets in the U.S. in the 1981/82 season could rise about 7 per cent to 6.2m tons (raw value), but 1982 sugar prospects will depend on the level of world prices, which have dropped precipitously from the 1980 highs, he said.

In London, meanwhile, sugar brokers G. D. and F. Man said International Sugar Agreement (ISA) export quotas and possibly the much-vaunted EEC stockpiling plan might prove sufficient to prevent further big price declines during 1981-82.

Japan may resist new whaling curb

BY RICHARD MOONEY

JAPAN is expected to lead a revolt by whaling nations against one of the main decisions taken at the International Whaling Commission (IWC) meeting in Brighton last July.

On Friday, the Japanese cabinet will discuss the Commission's ban on hunting minke whales with non-explosive harpoons, a method conservationists consider unnecessarily cruel. Minkes, one of the smallest commercially hunted species, account for nearly 90 per cent of the total 1981-82 world whale quota of 13,500 head.

The likely outcome of the cabinet meeting is that Japan will formally object to the ban, thus relieving itself of any responsibility to obey it. It will probably be followed by other whaling nations, including the Soviet Union, Norway, Iceland and South Korea.

In Tokyo last week Japan's Minister of Agriculture, Forestry and Fisheries, Mr Takao Kameoka, said these countries had expressed their backing for a Japanese objection.

The so-called "cold grenade" harpoon was banned for all whale species except minkes at the 1980 IWC meeting. This year, with the whalers outnumbered thanks to an influx of anti-whaling new members, the ban was extended to cover all whales. It is due to come into effect on November 9.

The Japanese and Russians kill minkes by a combination of the cold grenade and electrocution while the Norwegians and Icelanders use high powered rifles along with the cold grenade.

The explosive harpoons used in hunting larger species of whales are considered by the whalers to be unsuitable for minkes because of the amount of meat they would destroy and because they would often have passed right through the body before exploding.

Japan accepted the need for a better killing method for minkes and has been working on a more finely triggered explosive harpoon. But there are problems in ensuring crew safety and so far no new weapon has been licensed by the Japanese Government. The Japanese whaling industry therefore wants more time before abandoning its current methods.

Conservationists are worried meanwhile that the whalers seem to be dragging their feet on this question. Friends of the Earth said the Japanese attitude was "not entirely unexpected." An objection would be a backward step and could foreshadow the effective end of the IWC, they added.

Plan to secure U.S. cobalt supply

By Roy Hodson

A PROGRAMME to reduce the U.S. dependence upon supplies of foreign cobalt has been proposed by Amax Nickel.

Fears of a future shortage of cobalt, a critical defence and aerospace material, have given rise to pressure in the U.S. for a bigger federal stockpile, and private enterprise activity in the form of strategic metals investment schemes.

Amax has proposed to the Senate Banking Committee that the U.S. Government should pre-purchase cobalt for the national defence stockpile from Amax Nickel. The cobalt would be refined by a new process at the company's Louisiana refinery—the only nickel metal refinery in the U.S.

The financial reasoning behind the proposal is that funds from the pre-purchase programme would enable the refinery to be improved so that it can produce higher quality cobalt to meet the needs of the defence industry.

The process could also be used to treat domestic cobalt raw materials that may be recovered from mines in Missouri.

Aluminium stocks rise

A SHARP rise in aluminium stocks in the London Metal Exchange warehouses was reported yesterday. Stocks at the end of last week stood at 119,500 tonnes, a record figure and a rise of 6,925 tonnes on the week. The market showed little interest in aluminium yesterday and the LME cash price closed at £600 a tonne, a fall of £0.50 on the day.

Nickel was under pressure on the LME yesterday and fell £55 on the day's trading to close at £2,775 a tonne. Trading was quiet in other metals.

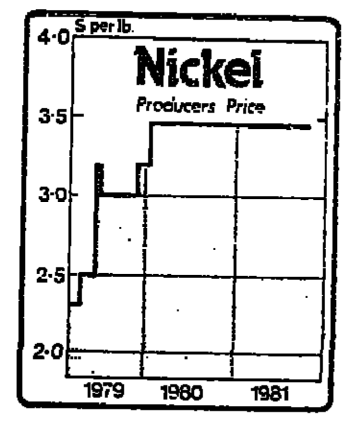
Stocks of copper fell by 725 tonnes in the LME warehouses last week to 106,800 tonnes. Tin stocks fell 465 tonnes to 15,800 tonnes; lead stocks rose 700 tonnes to 48,325 tonnes, and zinc stocks rose 100 tonnes to 82,050 tonnes.

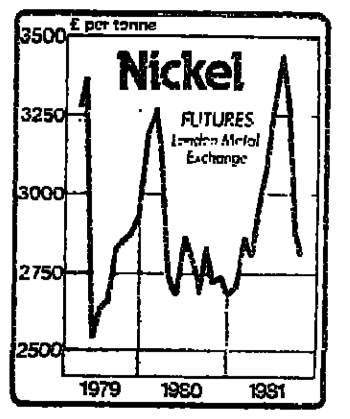
Nickel stocks fell 192 tonnes to 3,018 tonnes and silver stocks rose 760,000 ounces to 30,320,000 ounces.

NICKEL

Inco trims its sails

BY ROY HODSON





INCO'S apparently contradictory actions during the last few days have served to focus world attention upon the scale of difficulties now existing in the nickel market.

When Inco, the world's biggest nickel producer, acts in a dramatic fashion, then clearly the international business is in trouble, as observers have been pointing out with increasing frequency.

Inco's first move was the *more sensational, given* the parlous state of the nickel market, with sales down 35 per cent.

The group announced it would start a new mine development, to cost eventually approaching $140m, in Manitoba, Canada. The mine will replace the output at the nearby Pipe open mine which is nearing exhaustion.

Just four days later Inco made another announcement. It is to mothball its Exmibal mining and processing in Guatemala. That will mean probably writing down all but about $40m of its $220m investment there.

Inco is a company that has been accustomed to making money. As the world market leader with 30 per cent of the non-Communist sector market, it was able to earn close on $100m in a single quarter less that two years ago. Last quarter the company reported a shock loss of $29.4m for the third quarter. Clearly times have become unusually hard in the nickel business.

By retrenching in Guatemala and investment in Canada, Inco is, in fact, pursuing the classic business ploy of investing and pruning during hard times to be fit, vigorous and ready for the good times, whenever they should appear.

The Canadian group is prising loose from a foreign investment which it does not believe will be able to operate profitably before the middle to late 1980s. By doing so it will have more freedom to invest in Canada which is the home ground that the group understands best, and where it regards itself as best able to make a profit.

The other great Canadian metals company Alcan, the aluminium producer, has acted in a similar way this year. Alcan looked closely at its scheme to build a new greenfield aluminium smelter in Australia and decided that such an investment would not be prudent during a world slump in the aluminium business.

Alcan rapidly disengaged from the Australian project, leaving shock waves behind, and is now wedded to the concept of expanding production in Canada with cheap hydro-electric power facilities made available by state governments with federal support.

The Guatemalan nickel plant, which is to be closed early next year is a victim of two economic pressures. It is based upon the laterite (oxide) ore which needs large amounts of energy to convert into metal. Second, the plant has been based upon oil and would require spending of some $60m to convert to the cheaper energy source of coal.

In contrast, the new Canadian investment is to mine and process the increasingly rare sulphides nickel ore. The sulphides ores are virtually the prerogative of North America and Australia now: and even there, deposits are increasingly rare. The sulphides ores are the cheapest route to the production of nickel and easily undercut the laterite ores which are available in a number of the developing countries.

The nickel market will remain depressed as long as its big customer, the steel industry, remains in trouble. But within the nickel industry it is clear that the way back to profitability lies with the small number of producers—like Inco—who can mine the cheaply-processed sulphides ores.

Nickel demand in the non-Communist world this year is expected to fall short of 1.2bn lbs—a slight decrease upon last year. The immediate future revolves around a battle between the producers for slices of a smaller market. All that Inco is now doing appears to be directed towards retaining its traditional market dominance—albeit as a bigger fish in a smaller pool.

India's food grains short of target

BY K. K. SHARMA IN NEW DELHI

INDIA'S food crisis, which has led to wheat imports from the U.S. for the first time in five years, has been aggravated by the agriculture ministry's disclosure that the 1980-81 grain production dropped to 129.87m tonnes against the government's target of 135m tonnes.

This relatively poor performance—production was 2m tonnes less than the record registered in 1978-79—came in a year when there was a bountiful monsoon in most parts of the country which should have led to bumper harvests.

The setback explains the government's decision to import grain once again, especially as the current year's production is also likely to be short of the target of 138m tonnes.

The announcement of the 1980-81 production comes as a surprise, as the government had been claiming that the target had been achieved. It is now gaining consolation from the fact that production represents an increase over the previous year's output now placed at 109.7m tonnes because of a poor monsoon.

This represents an 18.4 per cent increase over production in a drought year, but is by no means satisfactory in a normal rain year and raises questions about the success of the so-called "green revolution."

According to figures released by the agriculture ministry, rice production in 1980-81 was 53.23m tonnes, 25.8 per cent more than the previous year's 42.33m tonnes. Similarly, wheat output in 1980-81 was 36.46m tonnes compared with the 31.83m tonnes in the previous year.

Production of "coarse grains" like millet and barley was 29.01m tonnes as against 26.97m tonnes in 1979-80. Lentils output was 11.17m tonnes against 8.57m tonnes in 1979-80.

The ministry now says that the 1980-81 crop year saw "unfavourable weather conditions" during both the summer and winter seasons in north-eastern regions and states like Rajasthan, Andhra, Karnataka and Tamilnadu.

Thai tapioca exports cut

BANGKOK — Thai tapioca exports last month dropped to 360,940 tonnes from 615,036 tonnes the previous month and compared with 436,452 tonnes exported in October last year, statistics from the commerce ministry show.

Total tapioca exports during the first ten months of this year were 5.07m tonnes compared with 4.11m tonnes in the same period of last year.

Reuter

The Financial Times regrets that due to unforseen circumstances London closing prices were not available for this edition.

Interest rate euphoria sweeps financial markets

Gilts up a point and equity index rises 10.4 to 478.9

Account Dealing Dates
Option

*First Dealings	Declarations	Last Dealings	Account Day
Oct 26	Nov 5	Nov 6	Nov 16
Nov 9	Nov 19	Nov 20	Nov 30
Nov 23	Dec 3	Dec 4	Dec 14

* "New time" dealings may take place from 9 am two business days earlier.

Nov 23 Dec 3 Dec 4 Dec 14

Interest rate euphoria swept London as well as other international financial markets yesterday. Government securities and equities moved sharply higher in unison, the former advancing a point and more before reacting late on the BL shop stewards' rejection of the group's improved offer, while the strength of leading shares was measured by a rise of 10.4 to 478.9 in the FT Industrial Ordinary share index.

Institutional investors who had not been convinced by last week's gradual Gilt-edged rally committed sizeable funds following the marked fall in short-term money market rates. The authorities were able to activate the long tap stock, Exchequer 15 per cent 1997, for the first time, accepting a bid of 22¾, a discount of 2¼ points on the October 14 issue price of £97, £25-paid, after refusing earlier slightly cheaper bids.

The move led to some restraint in the longs, but tap-free shorts and mediums made more impressive gains. Exchequer 13¾ per cent 1987 jumped a point to 95¾ although others in the area reacted from similar gains to close around ¾ up. Isolated longs also retained rises of that amount but most ended about ½ dearer. The FT Government Securities index rose 0.50 more to 61.66, taking it 2¼ per cent up in the last five trading days from its five-year low.

Following Wall Street's upsurge on Friday and the more hopeful outlook at British Leyland, dealers marked leading shares substantially higher at the outset. The allotment details of the £224m Cable and Wireless *offer for sale, which attracted* £1.25bn, added flavour and, despite the absence of worthwhile institutional inquiries, the tone strengthened still further.

Speculative business and bear-covering was largely responsible for the improved tone, but the BL shop stewards' decision took prices off the best. Double-figure gains remained in places but the late-afternoon reaction in equities was measured by a 2.00 pm rise of 14.2 in the FT 30-share index being reduced to its closing gain of 10.4.

Business in Traded options remained disappointingly low. Total contracts completed yesterday amounted to 1,097 of which calls accounted for 959. Oil issues were to the fore with BP and Shell recording 203 and 132 calls respectively.

Humberside Electronic Controls made a *quiet debut in the* unlisted securities market: placed at 10½p, the shares opened at 16p and closed at 15p.

Hambros better

Hambros featured a firm banking sector, rising 10 to 153p on renewed speculative buying fuelled by bid hopes: sentiment was also helped by reports that the group will not now have to face the publicity of a major trial in Norway over the Reksten affair. Elsewhere. Hire Purchases made progress on interest rate hopes, while further speculative support helped to lift Provident Financial 7 to 110p. Home banks closed below the best but with gains ranging to 8. NatWest added that much at 370p. Cater Ryder put on 10 to 300p among Discount Houses.

Royals, 12 higher at 367p, led Insurances higher. General *Accident gained 8 at 330p.*

Breweries often displayed moderate rises although trading was described as thin. Bass, 189p, Whitbread, 141p, and Grand Metropolitan, 157p, all added 5.

Scattered buying interest was evident in the Building sector in which Tysons (Contractors) stood out with a gain of 6 to 24p in response to good interim results. Still reflecting satisfaction with the half-yearly statement, J. Smart improved 4 more to 57p. Hopes of lower interest rates prompted a revival in Barratt Developments, which firmed 5 to 213p. Blue Circle edged up 6 to 446p, and gains of a similar amount were recorded in BPB, 243p, and Tarmac, 332p.

ICI opened higher at 280p before drifting back, mainly in the late dealings, to settle only 4 higher on the day at 274p.

Frasers buoyant

Demand for leading Stores improved, and with the presence of institutional buyers, most closed with useful gains. House of Fraser stood out with a rise of 10 at 156p: the Monopolies Commission's decision on the contested offer from Lonrho is expected later this month. Gussies "A" drew strength from the chairman's statement in the annual report and advanced 10 to 400p, after 403p. Secondary counters were again *featured by Polly Peck*, which spurted to 370p before settling for a net gain of 19 at 355p on further consideration of the chairman's optimism about the trading outlook; Cornell Dresses, 153p, and Wearwell, 71p, added 5 and 2 respectively. Favourable Press comment left Dixons Photographic 13 higher at 150p and Church 7 to the good at 158p.

The popular Electrical majors started the week strongly, an early mark-up followed by sporadic investment support leaving double-figure gains in places. Best levels were not held but Racal recorded a rise of 18 at 391p, after 395p, while GEC touched 710p before finishing 15 dearer on balance at 697p. Thorn EMI advanced 15 to 415p and BICC added 7 *to 242p*. Plessey wilted late and ended only a penny harder at 307p, after 314p. Elsewhere, Ferranti jumped 17 to 525p in response to Press comment and Concord Rotaflex rose 4 to 45p, after 55p, on a resurgence of speculative buying.

Hopes that the BL strike might soon be ended helped sentiment in GKN, which touched 153p before settling at 151p for a rise of 7. Other leading Engineerings also closed a few pence below the day's best. Hawker ending 10 dearer at 302p, after 304p. Elsewhere, Yarrow closed 15 up at 245p following the preliminary results. Westland were marked up 10 to 103p. Simon *firmed 7 to 365p, and rises of 5* were marked against Davy Corporation, 164p, and Glynwed, 87p.

Foods made progress over a broad front. Gains in retailers ranged to double figures under the lead of J. Sainsbury, 15 up at 460p, after 465p; the interim results are expected tomorrow. Associated Dairies closed 10 better at 168p, while Nurdin and Peacock, 128p, and Kwik Save Discount, 216p, both added 8, the last-mentioned following favourable Press mention. Among manufacturers, RHM continued to attract good support and rose 4 more to a 1981 peak of 60p. British Sugar, 323p, and Tate and Lyle, 166p, rose 6 apiece. News that Northern exercised an option in Avana and now controls 20.5 per cent of the latter lifted both issues; Northern *closed 8 up at 150p and Avana* firmed a similar amount to 230p. Speculative interest revived in Bernard Matthews, 15 higher at 115p.

Assoc. Comm. jump

Reflecting Friday's upsurge on Wall Street, renewed optimism about lower short-term interest rates and hopes that the BL strike may soon be over, miscellaneous industrial leaders rose smartly yesterday. An early mark-up was followed by genuine demand which left Unilever 15 up at 595p and the currently popular Glaxo up another 10 at 420p, after 426p. Awaiting today's interim results, Reed International rose 6 to 234p. BOC put on 5 to 142p as did Turner and Newall, *to 75p, after 77p*. Elsewhere, Lord Grade's Associated Communications "A" jumped 11 to 53p following a dawn raid by the Australian television and newspaper magnate, Robert Holmes A'Court, who was offering to acquire up to 10m ACC non-voting shares at 53p cash.

Hanson Trust rose 6 to 275p on the announcement that its bid for Berec had been extended, while Viners put on 2 to 7p in response to Press comment. Aeronautical and General added 15 at 240p and Cawoods 9 to 200p, while Inter City Investment appreciated 3 to 16p. Far Eastern influences prompted *strength in* Jardine Matheson, 157p, and Hutchison Whampoa, 167p, up 22 and 15 respectively. On the other hand, Davies and Newman fell 15 more to 70p on the poor first-half trading figures.

The rally in sterling helped holiday concerns Horizon Travel, 10 up at 225p, and Saga, 4 dearer at 391p. Elsewhere in Leisures, Intervision rose 4 to 28p in the wake of the annual report while, among televisions, Trident were noteworthy at 51p, up 4½.

Lucas, a firm market for most of the day on hopes of an early settlement to the strike at BL, drifted back from an earlier 187p to close only 3 better on balance at 181p following the shop stewards' rejection of the improved offer.

Drawing encouragement from the brighter outlook for short-term *interest rates*, Properties staged a broad advance. Land Securities gained 12 to 296p, Stock Conversion 10 to 325p and MEPC 8 to 210p. Awaiting today's interim figures, Great Portland Estates hardened a couple of pence to 186p, after 190p. British Land put on 5 to 77p as did Slough Estates, to 121p. City of Aberdeen Land Association advanced 25 to 450p on the announcement that 252,932 new ordinary shares are to be issued to institutions at a price of 450p per share.

Oils well below best

Assisted afresh by the Saudi decision to cut production and by last Friday's sharp improvement on Wall Street, Oil shares got off to a good start but closed well below the best. Shell ended 6 dearer at 386p, after 390p, while BP finished only 2 better at 310p after 314p. Among the more speculative issues, Berkeley Exploration, 343p, and Candecca, 240p, closed 6 and 8 higher respectively, while Atlantic Resources put on 15 to 230p.

Overseas Traders usually finished with a slightly easier bias. Tozer Kemsley and Millbourn became a nervous market in front of today's half-timer and shed 4 at 68p.

Weekend comment on the forthcoming offer for sale in Exco International directed fresh attention to money brokers Mercantile House, which touched 420p before settling 23 up at 415p.

Among Shippings, British and *Commonwealth* were favoured at 270p, up 5, while Graig closed 2 higher at £21 after the interim results.

Rally in mines

Mining issues were generally more active than of late, with many of the more prominent stocks notching up good rises, partly in response to the general buoyancy of the equity market.

Rio Tinto-Zinc were outstanding in the London Financials with a jump of 25 to 467p, after 472p, while Gold Fields closed 15 firmer at 495p and Charter gained 10 to 230p.

Australians also put up a good showing, following a strong performance in overnight domestic markets and good gains on Wall Street. Peko-Wallsend led the way with a jump of 25 to 350p, folowing the latest ore discovery at the Parkes copper-gold prospect in New South Wales, and Western Mining finished 20 higher at 259p: both were also responding to favourable Press comment.

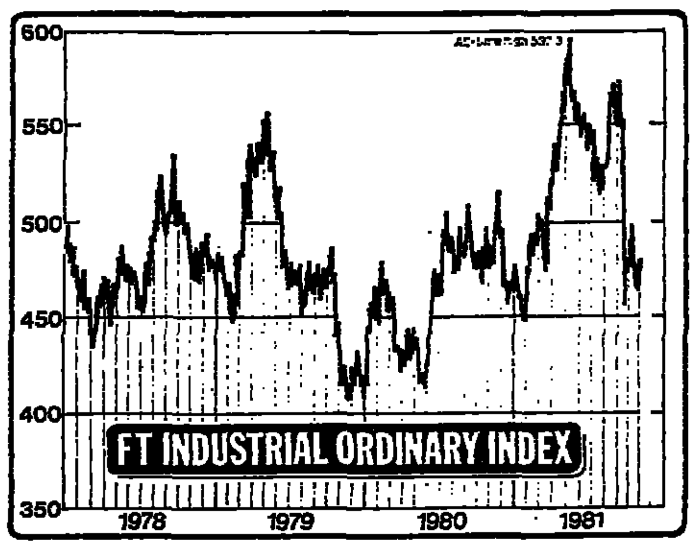
Amonga the other leading stocks, Hampton Areas ended 20 better at 150p.

Golds were mostly firmer in thin trading, but some of the gains were offset by slight declines in specific issues and the Gold Mines index finished just 2.1 higher at 352.5. Bullion moved narrowly before closing at $432, *up $4*.

Western Deep Levels put on ½ to £19½ as it was announced that the weekend's accident will not disrupt production for long, and Randfontein Estates finished *¾ higher at £31½. Gains of ½* were common to Hartebeest, £30, Vaal Reefs, £33¾, and St. Helena, £17½.

Among the cheaper-priced issues, Stilfontein shone with a *rise of 28 to 886p.*

Elsewhere, Falcon Mines of Zimbabwe fell 50 to 150p after the profits setback and passed final dividend.



FINANCIAL TIMES STOCK INDICES

	Nov. 2	Oct. 30	Oct. 29	Oct. 28	Oct. 27	Oct. 23	A year ago
Government Secs...	61.66	61.16	61.01	60.62	60.46	60.39	70.45
Fixed Interest	62.46	61.83	61.78	61.53	61.61	62.19	71.97
Industrial Ord.........	478.9	468.5	467.7	466.7	465.0	461.9	482.1
Gold Mines..........	352.5	350.4	353.1	365.5	356.9	375.0	501.8
Ord. Div. Yield.	6.20	6.33	6.35	6.37	6.40	6.45	7.54
Earnings, Yld. % (full)	10.57	10.80	10.83	10.87	10.91	11.0	17.02
P/E Ratio (net) (*)...	12.14	11.89	11.85	11.81	11.76	11.57	7.17
Total bargains	15,905	13,054	13,415	13,323	13,317	16,174	20,039
Equity turnover £m.	—	63.83	68.50	83.57	68.10	108.10	114.11
Equity bargains......	—	8,549	8,778	9,302	9,564	12,644	16,604

10 am 481.8. 11 am 480.7. Noon 482.2. 1 pm 482.2.
2 pm 482.7. 3 pm 482.5.
Latest Index 01-246 8026.
*Nil = 10.80.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

HIGHS AND LOWS

	1981 High	1981 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs ..	70.61 (20/5)	60.17 (26/10)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int....	72.01 (20/5)	61.61 (26/10)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.. ...	597.3 (30/4)	446.0 (14/1)	597.3 (30/4/81)	49.4 (26/6/40)
Gold Mines..	429.0 (14/9)	262.6 (29/6)	558.9 (22/9/80)	43.5 (26/10/71)

S.E. ACTIVITY

	Oct. 30	Oct. 29
—Daily Gilt Edged Bargains...	188.6	156.8
Equities...... Bargains ..	55.4	56.9
Value..... ..	129.0	139.4
5-day Avrge. Gilt-Edged Bargains...	154.4	154.6
Equities...... Bargains...	58.5	63.8
Value.......	139.7	157.6

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. Date	1981 High	1981 Low	Stock	Closing Price p	+ or −	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1981 High	1981 Low	Stock	Closing price £	+ or −
[illegible]							

"RIGHTS" OFFERS

Issue price p	Amount paid up	Latest Renunc. date	1981 High	1981 Low	Stock	Closing price p	+ or −
[illegible]							

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend; cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimate for 1982. Q Gross. † Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Dealings under special Rule. ✱ Unlisted Securities Market. ‡‡ London Listing. ‡ Effective issue price after scrip. ǂ Comprising 50 Ordinary at 1p and £1 of 10 per cent Loan 1986.

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price pence	Day's change	Stock	Closing price pence	Day's change
Concord Rotaflex	45	+ 4	ICI	274	+ 4
GEC	697	+15	Mercantile House	415	+23
Glaxo	420	+10	RTZ	467	+25
GUS "A"	400	+10	Shell Transport	386	+ 6
Horizon Travel	225	+10	Unilever	595	+15
House of Fraser	156	+10	Western Mining	259	+20

FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

Stock	No. of price changes	Friday's closing price pence	Day's change	Stock	No. of price changes	Friday's closing price pence	Day's change
GEC	12	682	− 1	De Beers Defd	10	350	+10
ICI	12	270	+ 4	Gill and Duffus	10	148	+ 6
Lasmo	12	490	+10	BAT Industries	9	345	− 2
BP	11	308	+ 8	GUS "A" . .	9	390	+ 7
Finlan (John) .	11	165	− 6	Plessey	8	306	—
Hanson Trust ..	11	269	− 7	Racal Elect. ...	8	373	−10
Shell Transport	11	380	+18	Ultramar	8	490	+12

WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on November 2 1981. In some cases rates are nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling/dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (cn) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (k) Scheduled Territory; (nc) non-commercial rate; (nom) nominal; (o) official rate; (sg) selling rate.

PLACE AND LOCAL UNIT		VALUE OF £ STERLING	PLACE AND LOCAL UNIT		VALUE OF £ STERLING	PLACE AND LOCAL UNIT		VALUE OF £ STERLING
[illegible]								

*That part of the French community in Africa formerly French West Africa or French Equatorial Africa. † Rupees per pound. ‡ General rates of oil and iron exports 78.65. **Rate is the transfer market (controlled). ††Rate is now based on 2 Barbados $ to the dollar. ‡‡ Now one official rate. (U) United rate. Applicable on all transactions except countries having a bilateral agreement with Egypt and who are not members of IMF. (1) Based on gross rates against Russian rouble. (1) Official rates for government transactions and specified exports and imports. (2) Parallel rates for non-government transactions and non-specified exports and imports. (3) ... exchange rate for essential imports. (4) Exports, non-essential imports and transfers.

NEW HIGHS AND LOWS FOR 1981

The following quotations in the Share Information Service yesterday attained new Highs and Lows for 1981.

NEW HIGHS (14)

BRITISH FUNDS (3)
Treas. 8½pc '80-82 Treas. 9¼pc 1983
Treas. 3pc 1982
BEERS (1)
Bulmer (H. P.)
BUILDINGS (1)
M D.W.
STORES (1)
Heelamat
FOODS (2)
Linfood R.H.M.
INDUSTRIALS (3)
Dyson (J. & J.) A Petrocon
Glaxo
LEISURE (1)
Saga Holidays
MOTORS (1)
Caffyns
PROPERTY (1)
C.A.L.A.

NEW LOWS (21)

CORPORATION LOANS (1)
Burnley 13pc 1987
BUILDINGS (1)
Brown & Jackson
ELECTRICALS (2)
Forward Technology Utd. Electronic
ENGINEERING (2)
Priest (Ben.) Stothert & Pitt
INDUSTRIALS (5)
Berwick Timpo Redfearn Glass
Davies & Newman UKO Int
Hawtin
MOTORS (1)
Plaxton's (GB)
PROPERTY (1)
Land Shop Prop. 9pc Conv. 1994-99
SHIPPING (1)
Gotaas-Larsen
SOUTH AFRICANS (1)
Gold Fields Prop.
TEXTILES (1)
Foster (John)
OIL & GAS (1)
Palliser Res.
MINES (4)
Afex Corp Falcon
Rand London Endeavour

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds .	89		2
Corpns. Dom. & Foreign Bonds	30	4	38
Industrials	397	105	870
Financial & Props.	295	11	203
Oils	40	17	47
Plantations .	3	2	18
Mines	55	40	72
Others	53	44	96
Totals	962	223	1,346

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Nov 2	Nov 13	Feb 11	Feb 22
Nov 16	Nov 27	Feb 25	Mar 8
Nov 30	Dec 11	Mar 11	Mar 22

For rate indications see end of Share Information Service

Stocks favoured for the call included Howard Tenens, BOC, Premier Oil, AVP, ICL, Woodside, Double Eagle, Town and City Properties, New Throgmorton Warrants, Swire Pacific A, Whittington Engineering, Charterhall, Metal Box and B. Paradise. Puts were done in GEC, Plessey and Royal Bank of Scotland, while doubles were arranged in BP, Premier Oil, Shell Transport, RTZ, ICL, Royal Bank of Scotland and Woodside.

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS Figures in parentheses show number of stocks per section	Mon., Nov. 2, 1981 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Fri. Oct. 30 Index No.	Thur. Oct. 29 Index No.	Wed. Oct. 28 Index No.	Tues. Oct. 27 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (210)	316.83	+2.1	11.08	4.97	11.17	310.37	310.60	310.18	308.40	288.89
2	Building Materials (25)	270.13	+1.5	16.62	6.33	6.86	266.15	265.58	265.89	263.88	244.23
3	Contracting, Construction (28)	487.69	+1.6	19.36	5.65	6.04	480.20	478.84	479.76	475.74	418.47
4	Electricals (30)	1074.89	+2.4	8.49	2.67	14.71	1049.95	1055.56	1045.60	1042.27	933.51
5	Engineering Contractors (9)	451.77	+2.9	14.34	6.09	8.23	439.21	439.82	438.39	433.56	356.17
6	Mechanical Engineering (66)	177.26	+1.6	12.47	6.19	10.42	174.41	173.70	173.92	172.38	177.31
8	Metals and Metal Forming (13)	150.68	+2.6	9.57	7.86	14.16	146.92	146.48	146.38	145.91	158.51
9	Motors (21)	84.45	+1.0	—	8.03	—	83.65	83.20	84.14	84.96	91.98
10	Other Industrial Materials (18)	331.85	+2.6	9.94	6.81	12.24	323.31	323.54	328.43	325.12	[illegible]
21	CONSUMER GROUP (198)	251.45	+2.4	13.94	6.47	8.85	245.60	244.67	244.18	243.82	240.20
22	Brewers and Distillers (20)	253.79	+2.3	17.68	7.62	6.82	248.17	248.51	249.28	248.08	275.16
25	Food Manufacturing (21)	250.51	+2.4	16.00	6.73	7.54	244.56	243.88	241.47	240.23	221.03
26	Food Retailing (15)	520.14	+4.0	9.42	3.49	12.86	500.12	494.75	487.54	487.24	403.64
27	Health and Household Products (7)	327.16	+2.4	9.06	4.68	13.11	319.61	318.49	318.08	311.89	225.99
29	Leisure (24)	397.09	+3.5	10.23	5.55	12.11	383.81	383.05	381.41	381.17	358.75
32	Newspapers, Publishing (12)	434.57	—	14.18	6.94	10.22	434.57	438.18	438.58	436.66	439.90
33	Packaging and Paper (13)	119.56	+1.1	15.62	8.90	7.79	118.22	119.43	119.98	119.27	121.52
34	Stores (46)	221.09	+2.1	13.01	6.07	10.30	216.59	214.07	213.35	212.55	248.22
35	Textiles (23)	138.99	+1.2	9.50	6.62	14.41	137.39	138.94	142.88	142.03	129.59
36	Tobaccos (3)	245.79	+2.0	23.13	10.59	4.98	240.97	242.36	242.36	243.85	215.38
39	Other Consumer (14)	246.58	+0.2	8.91	7.04	17.44	246.05	246.19	243.85	240.52	[illegible]
41	OTHER GROUPS (79)	209.31	+1.7	11.87	6.74	10.77	205.91	205.31	204.00	203.37	221.82
42	Chemicals (16)	277.31	+1.8	5.75	6.47	29.20	272.42	269.54	267.72	266.97	304.37
44	Office Equipment (4)	95.22	+2.6	19.20	9.25	6.23	92.79	93.70	92.99	93.05	225.99
45	Shipping and Transport (13)	461.65	+1.5	22.96	7.94	5.18	454.70	455.38	453.52	449.90	566.38
46	Miscellaneous (46)	267.81	+1.3	14.12	6.19	8.55	264.27	264.91	263.22	262.52	280.34
49	INDUSTRIAL GROUP (487)	267.94	+2.2	12.59	5.93	9.85	262.24	261.72	261.11	259.83	255.57
51	Oils (13)	725.84	+1.0	19.62	7.78	5.77	718.35	694.94	692.45	703.85	908.27
59	500 SHARE INDEX	305.03	+2.0	13.94	6.29	8.68	299.18	296.82	296.06	295.80	313.44
61	FINANCIAL GROUP (119)	241.64	+1.7	—	6.29	—	237.58	237.68	238.03	236.24	251.83
62	Banks (6)	254.76	+1.4	35.05	7.39	3.36	251.16	250.75	250.16	247.99	260.42
63	Discount Houses (10)	235.88	+1.7	—	9.51	—	232.04	228.63	230.58	230.75	295.48
64	Hire Purchase (3)	220.92	+5.8	14.08	8.37	9.83	208.80	201.39	202.26	204.35	229.34
65	Insurance (Life) (9)	238.72	+1.1	—	6.70	—	236.24	240.94	242.06	240.32	258.41
66	Insurance (Composite) (10)	160.90	+1.6	—	8.32	—	158.42	158.09	159.00	158.02	170.79
67	Insurance Brokers (8)	405.77	—	11.39	5.94	11.95	405.82	407.46	408.81	406.73	331.80
68	Merchant Banks (13)	144.50	+1.8	—	5.57	—	141.94	141.88	140.93	137.93	160.22
69	Property (50)	426.50	+2.8	4.57	3.35	29.50	415.08	413.92	414.69	412.47	459.46
70	Miscellaneous (10)	165.03	+1.4	19.47	6.65	6.25	162.75	162.11	161.61	159.94	162.99
71	Investment Trusts (110)	277.46	+2.1	—	5.78	—	271.80	270.71	269.68	266.75	289.39
81	Mining Finance (4)	240.94	+4.6	14.30	5.88	8.42	230.35	229.93	232.86	231.49	272.96
91	Overseas Traders (17)	388.61	−0.5	13.53	8.25	9.03	390.39	387.56	390.38	381.55	448.37
99	ALL-SHARE INDEX (750)	291.87	+1.9	—	6.28	—	286.30	284.60	284.25	283.30	302.32

FIXED INTEREST

	PRICE INDICES	Mon. Nov. 2	Day's change %	Fri. Oct. 30	xd adj. today	xd adj. 1981 to date
	British Government					
1	5 years	104.97	+0.57	104.38	—	9.10
2	5-15 years	99.04	+0.85	98.21	—	11.03
3	Over 15 years	99.90	+0.69	99.22	—	12.32
4	*Irredeemables*	*105.45*	*+0.85*	104.56	—	13.50
5	All Stocks	100.94	+0.70	100.24	—	10.76
6	Debentures & Loans	77.40	+0.53	76.59	—	9.63
7	Preference	58.89	+0.03	58.95	—	6.30

	AVERAGE GROSS REDEMPTION YIELDS		Mon. Nov. 2	Fri. Oct. 30	Year ago (approx.)
	British Government				
1	Low	5 years	13.61	13.78	12.73
2	Coupons	15 years	14.19	14.29	12.69
3		25 years	14.22	14.38	12.69
4	Medium	5 years	16.04	16.30	13.36
5	Coupons	15 years	16.00	16.13	13.90
6		25 years	15.49	15.60	13.80
7	High	5 years	15.86	16.12	13.45
8	Coupons	15 years	16.20	16.32	13.93
9		25 years	15.72	15.88	13.37
10	Irredeemables †		13.83	13.94	11.13
11	Debs & Loans	5 years	16.89	17.00	14.06
12		15 years	16.81	16.91	13.96
13		25 years	16.74	16.85	13.75
14	Preference †		16.81	16.82	14.62

† Flat yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 26½p.

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Abbey Unit Tst. Mgrs. (a)

Allen Harvey & Ross Unit Tst. Mgrs.

Allied Hambro Ltd. (a) (g)

Anderson Unit Trust Managers Ltd.

Ansbacher Unit Mgmt. Co. Ltd.

Anthony Wieler Unit Tst. Mgmt. Ltd.

Arbuthnot Securities Ltd. (a)(c)

Archway Unit Tst. Mgs. Ltd. (a)(c)

Arkwright Management

Barclays Unicorn Ltd.(a)(c)(g)

Baring Brothers & Co. Ltd. (a)

Bishopsgate Progressive Mgmt. Co.

Bridge Fund Managers (a)(c)

Britannia Gp. of Unit Trusts Ltd. (a)(c)(g)

The British Life Office Ltd (a)

Brown Shipley & Co. Ltd. (a)(g)

Buckmaster Management Co. Ltd.

Canada Life Unit Trust Mngrs. Ltd.

Capel (James) Mngt. Ltd.

Carr, Sebag Unit Trust Managers (a)

Charities Official Invest. Fund

NOTES

Chieftain Trust Managers Ltd. (a) (g)

Choulerton Fund Managers (a)

Confederation Funds Mgt. Ltd. (a)

Craigmount Unit Tst. Mgrs. Ltd.

Crescent Unit Tst. Mngrs. Ltd. (a)(g)

Darlington Unit Trust Mngt. Ltd.

Discretionary Unit Fund Managers

E. F. Winchester Fund Mngt. Ltd.

Equity & Law Un. Tr. M. (a) (b) (c)

Fidelity International Management Ltd.

James Finlay Unit Trust Mngt. Ltd.

Framlington Unit Mgt. Ltd. (a)

Robert Fraser Trust Mgt. Ltd.

Friends Prov. Trust Managers (a)(b)(c)

Funds in Court

G.T. Unit Managers Ltd.

G. & A. Trust (a) (g)

Gartmore Fund Managers (a)(g)

Govett (John)

Grieveson Management Co. Ltd.

Guardian Royal Ex. Unit Mgrs. Ltd.

Henderson Administration (a) (b) (c)

Hexagon Services Ltd.

Hill Samuel Unit Tst. Mgrs.

HK Unit Trust Managers Ltd. (a)

Investment Intelligence Ltd. (a)

Key Fund Managers Ltd. (a)(g)

Kleinwort Benson Unit Managers

L & C Unit Trust Management Ltd.

Legal & General (Unit Tst.) Mngrs. Ltd.

Leonine Administration Ltd.

Lloyds Bk. Unit Tst. Mngrs. Ltd. (a)

Lloyd's Life Unit Tst. Mngrs. Ltd.

Local Authorities' Mutual Invest. Tst.

M & G Group (y)(c)(z)

Manulife Management Ltd.

Mayflower Management Co. Ltd.

McAnally Fund Management Ltd.

Mercury Fund Managers Ltd.

Midland Bank Group Unit Trust Managers Ltd.

Minster Fund Managers Ltd.

MLA Unit Trust Mngmnt. Ltd.

Murray Johnstone U.T. Mgmt. (a)

Mutual Unit Trust Managers (a)(g)

National Provident Inv. Mngrs. Ltd.

National Westminster (a)

NEL Trust Managers Ltd. (a) (g)

Northgate Unit Trust Managers Ltd. (c)(y)

Norwich Union Insurance Group (b)

Pearl Trust Managers Ltd. (a)(g)(z)

Pelican Units Admin. Ltd. (g)(x)

Perpetual Unit Trust Mngmt. (a)

Practical Invest. Co. Ltd. (y)(c)

Provincial Life Inv. Co. Ltd.

Prudl. Portfolio Mngrs. Ltd. (a) (b) (c)

Quilter Management Co. Ltd.

Reliance Unit Mgrs. Ltd.

Ridgefield Management Ltd.

Rothschild Asset Management (a) (g) (c)

Rowan Unit Trust Mngt. Ltd. (a)

Royal Tst. Can. Fd. Mgrs. Ltd.

For Saturn Fund Mngt. see SIMCO

Save & Prosper Group

Schroder Unit Trust Managers Ltd.

Scottish Amicable Inv. Mngrs. Ltd.

Scottish Equitable Fund Mgrs. Ltd.

Scottish Widows' Fund Management

SIMCO Money Funds

Stewart Unit Tst. Managers Ltd.(a)

Sun Alliance Insurance Group

Swiss Life Pen. Tst. Man. Co. Ltd.(a)(c)

Target Tst. Mngrs. Ltd. (a) (g)

Tower Unit Trust Mngt. Ltd.

Trades Union Unit Trust Managers

Transatlantic and Gen. Secs. (c) (y)

Tyndall Managers Ltd.(a)(b)(c)

TSB Unit Trusts (b) (c) (y)

Ulster Bank (a)

Unit Trust Account & Mngmt. Ltd.

INSURANCE PROPERTY BONDS

Abbey Life Assurance Co. Ltd.

Albany Life Assurance Co. Ltd.

AMEV Life Assurance Ltd.

AMEV/Framlington

Barclays Life Assur. Co. Ltd.

Black Horse Life Ass. Co. Ltd.

Canada Life Assurance Co.

Canada Life Assurance Co of G. Britain

Cannon Assurance Ltd.

Capital Life Assurance

Charterhouse Magna Gp.

Chieftain Assurance Funds

City of Westminster Assurance

Commercial Union Group

Confederation Life Insurance Co.

Cornhill Insurance Co. Ltd.

Credit & Commerce Insurance

Crown Life

Crusader Insurance PLC

Eagle Star Insur./Midland Assur.

Equity & Law Life Ass. Soc. Ltd.

Equity & Law (Managed Funds) Ltd.

Family Assurance Society

Assicurazioni GENERALI S.p.A.

General Portfolio Life Ins. C. Ltd.

Growth & Sec. Life Ass. Soc. Ltd.

Guardian Royal Exchange

Hambro Life Assurance Limited

Hearts of Oak Benefit Society

Henderson Administration

Hill Samuel Life Assur. Ltd.

Imperial Life Ass. Co. of Canada

Irish Life Assurance Co. Ltd.

King & Shaxson Ltd.

Langham Life Assurance Co. Ltd.

Legal & General (Unit Assur.) Ltd.

Legal & General Prop. Fd. Mgrs. Ltd.

Life Assur. Co. of Pennsylvania

Lloyds Life Assurance

London A'deen & Nthn. Mtl. Assur. Ltd.

London Indemnity & Gnl. Ins. Co. Ltd.

London Life Linked Assur. Ltd.

The London & Manchester Ass. Gp.

M & G Group

Manufacturers Life Insurance Co.

Merchant Investors Assurance

NEL Pensions Ltd.

NPI Pensions Management Ltd.

New Zealand Ins. Co. (UK) Ltd.

Norwich Union Insurance Group

Pearl Assurance (Unit Funds) Ltd.

Phoenix Assurance Co. Ltd.

Pioneer Mutual Insurance Co. Ltd.

Planned Savings Group

Premium Life Assurance Co. Ltd.

Prop. Equity & Life Ass. Co.

Property Growth Assur. Co. Ltd.

Providence Capitol Life Assur. Co. Ltd.

Provincial Life Assurance Co. Ltd.

Prudential Pensions Limited

Refuge Investments Limited

Reliance Mutual

Rothschild Asset Management

Royal Insurance Group

Save & Prosper Group

Schroder Life Group

Scottish Amicable Investments

Scottish Mutual Assurance Society

Scottish Widows' Group

Skandia Life Assurance Co. Ltd.

For Solar Life Assurance Ltd. see Sun Life Unit Assurance Ltd.

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd.

Sun Life Unit Assurance Ltd.

Sun Life Pensions Management Ltd.

Target Life Assurance Co. Ltd.

Transinternational Life Ins. Co. Ltd.

Trident Life Assurance Co. Ltd.

Tyndall Assurance/Pensions (a)(b)(c)

Vanbrugh Life Assurance

Vanbrugh Pensions Limited

Welfare Insurance Co. Ltd.

Windsor Life Assur. Co. Ltd.

FT SHARE INFORMATION SERVICE

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"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

Building Societies

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

BANKS AND HIRE PURCHASE

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

CHEMICALS, PLASTICS—Cont.

DRAPERY AND STORES

ELECTRICALS

ENGINEERING MACHINE TOOLS

FOOD, GROCERIES, ETC.

FOOD, GROCERIES—Cont.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

[illegible]

INSURANCE

[illegible]

INSURANCE—Continued

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc.

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

Indian and Bangladesh

[illegible]

Sri Lanka

[illegible]

Africa

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

MINES—Continued

Australian

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
45	32	Acmex 50c	45	......	Q2.5c	—	3.5
41	14	ACM 20c	22	+1	—	—	—
21	9	Argosy Gold NL 25c	10	......	—	—	—
229	134	Bond Corp.	146	......	Q10c	2.3	4.3
112	67	Bougainville I Kina	73	+5	‡Q25.4c	1.0	‡
302	176	CRA 50c	192	+14	Q19c	1.7	6.0
25	9	Canada Northwest	9	......	—	—	—
35	11	Carr Boyd 20c	12	+1	—	—	—
415	43	Central Pacific	52	+4	—	—	—
35	6	Cons. Gold Mn. N.L. 50c	6	......	—	—	—
47	13	Cultus Pacific N.L.	16	+1	—	—	—
68	22	Eagle Corp. 10c	26	+1	—	—	—
40	18½	Endeavour 20c	18½	−½	—	—	—
560	310	G. M. Kalgoorlie 25c	420	......	Q32½c	φ	4.7
25	6½	Great Eastern	7	......	—	—	—
185	60	Greenbushes Tin 50c	70	+10	Q6c	1.9	5.2
275	130	Hampton Areas 10p	150	+20	2.5	3.1	2.4
168	31	Haoma Gold N.L.	34	+3	—	—	—
85	20	Intl. Mining	23	+1	—	—	—
118	24	Jimberlana (50cFP)	28	+2	—	—	—
15	10	Kalbara Min 20c	10	......	—	—	—
245	130	Kitchener NL 25c	135	+5	—	—	—
105	16	Leichhardt Expln.	18	......	—	—	—
430	275	Meekatharra	360	+10	—	—	—
70	40	Metals Ex. 50c	42	+2	¶Q3c	φ	4.2
38	19½	Metramar Mins. 20cts	19½	−2½	—	—	—
20	10	Mid East Mins. NL	10	......	—	—	—
290	189	M.I.M. Hldgs. 50c	205	+12	Q15c	φ	4.6
21	7½	Minefields Expl. 25c	9	......	—	—	—
20	13	Newmetal 20c	14	......	—	—	—
69	40	Nickelore N.L.	44	......	—	—	—
204	147	North B. Hill 50c	152	+5	Q18c	φ	7.4
84	50	Nth. Kalgurli	77	+1	—	—	—
200	94	Nth. Mining Corp.	190	+5	φ—	—	—
122	20	N. West Mining N.L.	21	+1	φ—	—	—
150	106	Oakbridge 50c	118	+3	Q6½c	φ	3.4
185	90	Oilmin N. L.	95	......	—	—	—
188	104	Pacific Copper	106	+2	—	—	—
*423	126	Pancont'l 25c	132	+2	—	—	—
88	42	Paringa M&Ex. 5p	66	−1	φ—	—	—
525	325	Peko-Wallsend 50c	350	+25	Q15c	—	2.6
43	16	Pelsart Res NL	24	......	—	—	—
120	58	Seltrust A	58	......	—	—	—
157	18	Southern Pacific	25	+3	—	—	—
100	40	Swan Resources 20c	46	−2	—	—	—
316	60	Vultan Mins 20c	65	......	—	—	—
18½	8	West Coast 25c	8½	......	—	—	—
130	85	Westn. Cont 50c	85	......	—	—	—
335	227	Westn. Mining 50c	259	+20	Q14c	1.6	3.3
27	14	Westmex	14	......	—	—	—
76	36	Whim Creek 20c	38	−2	—	—	—
101	21	York Resources	25	+1	—	—	—

Tins

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
16	7½	Amal Nigeria 1p	7½	−½	†16.0	—	—
300	210	Ayer Hitam $M1	225	......	‡Q305c	2.0	‡
210	98	Geevor	160	......	—	—	—
11	8	Gold & Base 12½p	9½	......	—	—	—
660	471	Gopeng Cons.	475xd	......	Z13.0	1.8	3.9
450	310	Hongkong	320	......	21.0	φ	9.4
160	110	Idris 10p	155#	......	†9.0	0.8	‡
*29	10	Jantar 12½p	18	......	t1.5	4.0	11.9
98	60	Kamunting $M0.50	60	......	Q27½c	0.8	0.0
665	363	Killinghall $M1	500	......	[illegible]	φ	5.2
114	88	Malay Dredging 10c	90	......	[illegible]	0.9	10.3
68	30	Pahang	32	......	‡0.63	0.8	‡
125	90	Pengkalen 10p	123	......	3.5	0.6	4.1
380	290	Petaling $M1	290	......	‡Q160c	1.4	‡
25	19	South Crofty 10p	24#	......	—	—	—
225	185	Sungei Besi $M1	195	......	Q310c	1.1	37.9
185	90	Supreme Corp. $M1	90	......	§Q15½c	φ	4.2
118	100	Tanjong 15p	100	......	3.5	3.7	5.0
90	60	Tongkah H. Tin $M	60	......	Q23%	0.6	7.7
410	220	Tronoh $M1	250	−10	‡Q110c	1.2	‡

Copper

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
410	165	Messina R0.50	325	......	†Q45c	4.7	7.9

Miscellaneous

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
175	32	Anglo-Dominion	32	......	—	—	—
25½	12	Burma Mines 10p	13	......	0.75	0.9	8.2
330	85	Colby Res. Corp.	145	......	—	—	—
330	200	Cons. Murch. 10c	290	......	tQ30c	1.6	5.9
10	6	††Explaura Gold	8½	−½	—	—	—
98	47	††Hemerdon 10c	57	−3	—	—	—
180	65	Highwood Res.	75	......	—	—	—
505	260	Northgate C$1	320	......	—	—	—
633	372	R.T.Z.	467	+25	16.0	2.3	5.0
£130½	£93½	Do.9½%Cn.Un.Ln.'95-2000	£106	+4½	Q9½%	—	f9.7
103	13	††SPO Minerals 10p	26	......	—	—	—
47	20	Sabina Inds. C$1	22	......	—	—	—
44	21	‡Southwest C. 10p	25	......	—	—	—
585	465	Tara Exptn. $1	560	−5	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- φ Figures or report awaited.
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 163(2)(a); not listed on any Stock Exchange and not subject to any listing requirements.
- ‡‡ Dealt in under Rule 163(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. ☆☆ Available only to UK pension schemes and insurance companies engaged in pension business. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1981-82. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1982. K Figures based on prospectus or other official estimates for 1981-82. M Dividend and yield based on prospectus or other official estimates for 1983. N Dividend and yield based on prospectus or other official estimates for 1981. P Figures based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

			IRISH		
Albany Inv. 20p	40	......	Conv. 9% '80/82	£92½	+⅛
Bertrams	10	+2	Nat. 9¾% 84/89	£68⅞	+¼
Bdg'wtr. Est 50p	400	......	Fin. 13% 97/02	£73½	+⅛
Craig & Rose £1	£13	......	Alliance Gas	75	−5
Finlay Pkg. 5p	23	......	Arnott	220	−5
Graig Ship. £1	£21	+2	Carroll (P.J.)	77	+1
Higsons Brew	63	......	Concrete Prods.	90	......
Holt (Jos) 25p	510	......	Helton (Hldgs.)	23½	−½
I.O.M. Stm. £1	150xd	......	Irish Ropes	40	......
Pearce (C. H.)	760	......	Jacob	65½xd	......
Peel Hldgs.	126	......	T.M.G.	17	......
Sheff. Refrshmt	90	......	Unidare	58	......
Sindall (Wm.)	190	......			

OPTIONS

3-month Call Rates

Industrials					
A. Brew	6½	House of Fraser	13	Utd. Drapery	6½
BOC Intl.	11	I.C.I.	18	Vickers	15
B.S.R.	7½	"Imps"	5	Woolworths	4½
Babcock	9	I.C.L.	5		
Barclays Bank	36	Ladbroke	13	**Property**	
Beecham	17	Legal & Gen.	20	Brit. Land	7
Blue Circle	38	Lex Service	9	Cap. Counties	10
Boots	18	Lloyds Bank	28	Land Secs.	30
Bowaters	19	"Lofs"	3½	MEPC	20
Brit. Aerospace	17	London Brick	6½	Peachey	15
B.A.T.	28	Lucas Inds.	18	Samuel Props.	13
Brown (J.)	8	"Mams"	11	Town & City	2¼
Burton Ord.	12	Mrks. & Spncr	10		
Cadburys	8	Midland Bank	26	**Oils**	
Courtaulds	5½	N.E.I.	7	Brit. Petroleum	28
Debenhams	7	Nat. West. Bank	50	Burmah Oil	11
Distillers	16	P & O Dfd.	9	Charterhall	6
Dunlop	6½	Plessey	26	KCA	12
Eagle Star	25	Racal Elect.	34	Premier	7
F.N.F.C.	4	R.H.M.	5	Shell	28
Gen. Accident	30	Rank Org. Ord.	24	Tricentrol	25
Gen. Electric	55	Reed Intnl.	22	Ultramar	40
Glaxo	32	Sears	9		
Grand Met.	15	Tesco	5	**Mines**	
G.U.S. 'A'	36	Thorn EMI	30	Charter Cons.	21
Guardian	38	Trust Houses	11	Cons. Gold	40
G.K.N.	12	Tube Invest.	12	Lonrho	7
Hawker Sidd	25	Turner & Newall	7½	Rio T. Zinc	45
		Unilever	50		

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 28

FINANCIAL TIMES

Tuesday November 3 1981

Paris state ownership plan backed by jurists

By Terry Dodsworth in Paris

A REPORT by two senior French jurists has delivered a severe bow to the anti-nationalisation campaign by concluding that there is no serious basis for opposing the project on constitutional grounds.

The report will provide the French Government with welcome ammunition in the continuing parliamentary struggle to push through the controversial Bill to nationalise banks and a wide range of big industrial groups. It also gives the authorities a welcome psychological boost following the threats of the opposition to refer the matter to the Constitutional Council.

The jurists were appointed to look at the nationalisation issue by M Robert Badinter, the Justice Minister. The report argues that the project ought to pass through the Constitutional Council.

The first of the three most controversial issues concerns Article 17 of the constitution, which declares that property is an "inalienable and sacred right" of all citizens. According to the jurists, the importance of this article has been seriously undermined already by the developments of limits on property rights, such as taxation and control over building.

They also argue that nationalisation is advocated by the constitution itself.

The second main issue concerns the question of equality, mentioned in various constitutional declarations since the 1789 Revolution.

This article has been used to argue that there should be complete equality of treatment between French and overseas banks. But the jurists contend that there are substantial differences in the situation of the two groups.

● Paribas, the French bank due to be nationalised under the Government's plan, has taken an extra 2.5 per cent stake in its Hong Kong affiliate in a move designed to protect its international network from further disintegration.

The acquisition, valued at about FFr 30m (£10m), follows confirmation last week that both Paribas' Swiss and Belgian subsidiaries had slipped out of its control and would therefore escape full nationalisation.

● A high-ranking French official has visited Berne to present the French view on nationalisation and the Paribas case.

CALL FOR JOINT EMPLOYER-TUC DRIVE

CBI may act on jobless

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

A FRESH BID to persuade trade union leaders to co-operate in plans aimed at cutting unemployment and improving training is likely to be launched soon by the Confederation of British Industry.

CBI leaders will review their own policies to see what other initiatives can be launched to deal with unemployment.

This follows debates at the CBI annual conference at Eastbourne yesterday which demonstrated a new willingness among some employers to discuss how they themselves can help cure unemployment instead of relying on the Government to take all the initiatives.

Faced with the deepening impact of the recession, many delegates showed considerably more interest in debates on unemployment and industrial relations in discussing what they could do to increase employment and consultation than in calling for new laws on labour relations, which received scant attention.

Two resolutions were passed under a new system allowing delegates to propose resolutions in the middle of debates. One called for the TUC to be invited to join a proposed unemployment action group which would "formulate proposals on how to minimise unemployment and its cost."

The other was for a national plan which would reduce male retirement age, probably to 60, and "better prepare school-leavers for work."

The CBI must decide how to react to these proposals, and will give them initial consideration at its policy-making council meeting in two weeks' time.

There was some scepticism among industrialists after the debates at the idea of setting up new committees and drawing up new plans, but the CBI is nevertheless likely to invite the TUC to talks.

Regular dinner meetings it has held for some years with top union leaders were broken off earlier in the year by the TUC because of disagreements over labour law.

A CBI spokesman said last night the idea of involving the TUC in an "unemployment action group" was being taken "very seriously".

But the CBI will take a tough line with the unions, which they believe should be prepared to change apprenticeship systems radically and to accept lower rates of pay for young people.

Sir Ray Pennock, CBI president, said when opening the conference the "full-blooded, unconditional involvement of the trade union movement" was needed.

"The unions cannot be outraged at youth unemployment and then back off support of this new initiative because they don't agree with the economic policies of the Government," he said, referring to the Manpower Services Commission's new training proposals now being considered by the Government.

The problems created by the system of ad hoc resolutions was illustrated best when conference agreed without debate to encourage large companies and financial institutions "to help the growth of employee ownership as one way of reducing the 'us-and-them' syndrome in British industry."

Interpreted against the background of what was said by the proposer, Mr Peter Thompson, chief executive of the National Freight Company, this amounted to the CBI saying that large companies and financial institutions should help employees obtain management control of their companies while having to buy only a minority of the shares in management and staff buy-outs.

This is clearly not likely to become CBI policy but the fact that the conference approved it with little opposition underlined the participative rather than combative mood of the debates.

Conference reports, Page 8

BSC considers further big redundancies

BY ALAN PIKE

PROPOSALS FOR up to 20,000 more redundancies in the British Steel Corporation are being circulated among BSC's regional managers.

This emerged yesterday at the same time as BSC announced it was seeking another 750 redundancies at its two major Welsh works, Llanwern and Port Talbot, in a further bid to reduce strip steel production costs.

The document being circulated within the corporation is from Dr David Grieves, managing director, personnel and social policy. It envisages a workforce of 90,000 compared with the present 109,000. This further proposal for slimming down follows the loss of some 70,000 other BSC jobs in less than two years.

It remains the hope of BSC executives that the corporation's eventual financial viability can be achieved without further major plant closures.

This will depend in part, however, on the success of a renewed drive for productivity improvements.

A substantial part of the latest productivity drive will be in white collar areas. The document to regional managers stresses the need to look at the role of staff not directly engaged in making iron and steel.

BSC's financial position is improving, but not fast enough. This has caused the corporation to tell union leaders that it cannot negotiate any national level pay settlement in the coming year.

Any pay improvements will have to depend on locally negotiated productivity improvements. Talks on the new round of redundancies will also take place at local level. In the case of some plants, like Teesside, they have already begun.

Robin Reeves, Wales Correspondent, writes: The new redundancies planned at Llanwern and Port Talbot, which the corporation seeks to implement by March, follow a warning from Mr Peter Allen, operations manager of BSC strip products, that the group is still losing about £2½m a week.

This is despite large-scale redundancies and productivity gains over the past 15 months. Some 12,000 steel workers have already left Port Talbot and Llanwern as a result of the earlier "slimline" and survival plan cutbacks, which have given the two plants an overall manned capacity of 3.4m tonnes a year.

Treasury agrees to scheme for aiding British Telecom finance

BY GUY DE JONQUIERES

THE GOVERNMENT has reached agreement in principle on a scheme enabling British Telecom to raise additional finance for its ambitious investment programme by borrowing directly from private investors.

But the plan, intended to provide a way round existing Government restraints on British Telecom's borrowing powers, must still pass several important hurdles if it is to take effect in the coming financial year.

One of these is insistence by the Industry Department that it adopt a more co-operative attitude to its new private sector competitors.

The key to the agreement is said to lie in the acceptance by the Treasury that British Telecom should enjoy a preference when finance is allotted to Government departments and nationalised industries within the limits of the Public Sector Borrowing Requirement.

This softening of the Treasury position is a minor personal triumph for Sir George Jefferson, British Telecom's chairman, who has argued strongly that growth industries like telecommunications should have a higher claim on Government resources than nationalised industries which operate in declining sectors.

But the Treasury is also insisting that any increase in British Telecom's borrowings must be offset by financing cuts in other parts of the public sector, so as to leave the overall level of the PSBR unchanged.

This means Industry Department Ministers will have to fight hard to persuade colleagues in other departments to trim their own spending plans to make room for additional financing for British Telecom.

Sir George is seeking to raise £150m in bonds to finance investment of more than £2bn a year. The exact size of the issue would be governed by conditions on the capital markets, though investors' enthusiasm for last week's Cable and Wireless share sale is seen in Whitehall as an encouraging precedent.

But there is concern in the Industry Department that British Telecom has damaged its own political case recently by trying to enforce its remaining monopoly powers too zealously and in a way which seems intended to obstruct private sector competition.

Whitehall officials believe that by continuing to behave as a restrictive monopoly, British Telecom is undermining its argument that it needs extra finance to be able to compete on equal terms in the newly-liberalised communications market.

The department is already planning to step in later this month to take direct control over the authorisation of telephone terminals and attachments which may be sold by private suppliers. British Telecom, which was supposed to handle authorisation, is thought to be moving too slowly.

Britsh Telecom has also been warned discreetly that the future of its monopoly over international communications circuits may have to be reviewed if it continues to deny its private competitors access to them.

Australian builds up holding in ACC

By John Moore and Duncan Campbell-Smith

Mr Robert Holmes a Court, the Australian entrepreneur, is trying to buy just over half of the non-voting "A" shares in Associated Communications Corporation, the entertainments conglomerate headed by Lord Grade. The deal could cost over £5m.

On the London stock market, the shares of Associated rose 11p to 53p in yesterday's trading as stockbrokers acting for Mr Holmes a Court began purchasing. The price paid for the Australian's purchases yesterday was 52.5p per share. How many shares he bought had not been disclosed late last night.

...According to Lord Grade, Mr Holmes a Court's renewed interest in Associated Communications does not mark the beginning of a new business relationship between the two men. Lord Grade said last night: "He is brilliant. He always said he was going to buy 50 per cent of the non-voting shares and that is what he has done."

Commenting on speculation that he and Mr Holmes a Court were planning business ventures in the U.S., Lord Grade said: "He was in California. We met on two even-fornia. I was in California. Wet met on two evenings. No business was discussed."

Lord Grade dismissed suggestions that Mr Holmes a Court might be the heir apparent at Associated. "He wouldn't want to be. He already runs a big company, the Bell Group. Anyway, I have always said I feel like 34. Who's going to take over from me?"

Stockbrokers Hoare Govett have been instructed by Mr Holmes a Court to purchase about 10m shares in Associated's non-voting shares. The purchases, made in the name of a Bell Group broadcasting associate, TVW Enterprises, could increase his interests in Associated from around 30 per cent to 50.1 per cent of the non-voting shares.

Hoare Govett said that their instructions yesterday were to continue to purchase shares in the London stock market until the buying order had been completed.

Although Mr Holmes a Court's buying spree could give him a majority of the non-voting shares, it will give him no power in the boardroom. Lord Grade and Associated Communications directors hold the key blocks of voting shares. Lord Grade himself holds 27.6 per cent of the voting shares.

Weather

UK TODAY

CLOUDY in most places with rain and scattered showers. Rather warm, but becoming colder in the north and west later.

London, S. and E. England, Midlands and Central N. England
Cloudy with rain and drizzle but some bright intervals. Warm. Max. 16C (61F).

Channel Islands, S. Wales, S.W. England
Mostly cloudy with rain. Warm. Max. 15C (59F).

Rest of England and Wales
Cloudy, outbreaks of rain. Becoming colder and brighter. Max. 14C (57F).

Scotland and N. Ireland.
Cloudy with rain, heavy in places. Becoming colder in East. Max. 13C (55F).

Outlook: Cold and windy. Frequent showers in North and East.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	F	20	68	L. Ang.†		—	—
Algiers	S	24	75	Luxmbg.	R	19	66
Amsdm.	C	12	54	Luxor	S	28	82
Athens	S	24	75	Madrid	S	19	66
Bahrain		—	—	Majorca	S	22	72
Barclna.	S	20	68	Malaga	S	22	72
Beirut	F	25	77	Malta	F	23	73
Belfast	C	9	48	M'chstr	R	11	52
Belgrd.	S	20	68	Melbne.	S	24	75
Berlin	R	14	57	Mx. C.†		—	—
Biarritz	F	17	63	Miami†	F	24	75
Bmghm.	R	11	52	Milan	S	14	57
Blackpl.	C	11	52	Montrl.†	F	7	45
Bordx.	S	18	64	Moscow	R	17	63
Boulgn.	C	14	57	Munich	F	17	63
Bristol	R	14	57	Nairobi	F	27	81
Brussels	R	14	57	Naples	F	20	68
Budpst.	F	17	63	Nassau		—	—
Cairo	F	26	79	Nwcstl.	C	10	50
Cardiff	R	13	55	N York†	F	9	48
Cas'b'ca	F	24	75	Nice	C	17	63
Cape T.	S	23	73	Nicosia		—	—
Chicg.†	C	12	54	Oporto	S	23	73
Cologne	R	14	57	Oslo	C	1	34
Cpnhgn.	F	10	50	Paris	F	16	61
Corfu	S	20	68	Perth	C	17	63
Denver†	F	6	43	Prague	C	12	54
Dublin	C	11	52	Rykjvk.	C	2	36
Dbrvnk.	S	20	68	Rhodes	S	24	75
Ednbgh.	C	10	50	Rio J'o†		—	—
Faro	F	20	68	Rome	F	19	66
Florence	C	13	55	Salzbrg.	F	17	63
Frankft.	C	15	59	S'ciscot	F	11	52
Funchal	S	22	72	S. Mritz.		—	—
Geneva	F	8	46	Singapr.		—	—
Gibrltr.	F	21	70	S'tiago†		—	—
Gl'sg'w	C	11	52	Stckhm.	R	3	37
G'msey	C	13	55	Strasbg.	C	15	59
Helsinki	C	0	32	Sydney	R	18	64
H. Kong	R	19	66	Tangier	F	23	73
Innsbrk.	F	17	63	Tel Aviv	F	24	75
Invrnss.	F	11	52	Tenerife	F	21	70
I.o.Man	F	12	54	Tokyo	R	12	54
Istanbul	F	18	64	T'r'nto†	F	5	41
Jersey	C	14	57	Tunis	F	23	73
Jo'burg	F	28	82	Valencia	S	20	68
L. Plms.	F	23	73	Venice	Fg	9	48
Lisbon	F	17	63	Vienna	F	18	64
Locarno	F	16	61	Warsaw	R	11	52
London	C	15	59	Zurich	S	15	59

C—Cloudy. F—Fair. Fg—Fog. H—Hail. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow. T—Thunder.
† Noon GMT temperatures.

Continued from Page 1

BL stewards vote

has said it will continue official recognition of the strike if there is a vote in its favour, though it is clearly reluctant to do so.

The mass meetings will be followed by a further meeting of the senior stewards, which will decide future tactics in the light of the votes. In effect they have declared themselves bound by the votes—though confusion could arise if the votes are close.

Union officials believe a marginal rejection of the offer would signify a swift crumbling of the strike. However, many are confident of a sizeable vote for rejection.

The senior stewards' meeting at the engineering union headquarters in Birmingham gathered in an atmosphere of militancy. About 250 workers from Cowley and Longbridge stormed the building, jeering and urging rejection of the offer.

Only an impassioned plea from Mr Bobby Fryer, one of the militant Cowley stewards, cleared the hall and allowed the meeting to take place after a 35-minute delay.

Steward after steward argued that the new package was unacceptable to the workforce. Advice from national officials that the company had been pushed to the limit in negotiations was ignored.

Continued from Page 1

Money supply

unlikely that postponed tax payments up to the end of the year wil lsqueeze this figure back to target.

In spite of the failure to meet the sterling M3 target for last year and probably for this year, Ministers believe the squeeze on the economy has gone far enough. They believe the growth of output in money terms (money GDP) is running at a "satisfactory" annual rate of about 10 per cent to indicate that a brake is being applied to inflation.

Ministers have tried to prepare the way for a new approach by stressing the need to look at a variety of indicators.

However, they are still tied to the explicit targets laid down in the medium term financial strategy, and it is difficult for them to claim that they are now hitting other targets.

A further difficulty is that efforts to influence the exchange rate in order to keep down inflation may sometimes conflict with a policy of controlling the money supply.

The Treasury now believes that further unpleasant measures will be needed — probably an increase in interest rates—if the Government is to stick to its original goal of limiting the growth of sterling M3.

Continued from Page 1

Cable offer

their chances by making multiple applications.

The Government has sought to favour employees—2,300 of whom applied for and got 3,385,000 shares — and small shareholders at the expense of the major institutions.

The big institutions received only between 13 per cent and 15 per cent of what they applied for, with a maximum of 2.25m shares. By contrast, the smallest applicants received, on average, 30 per cent.

However, because of the weight of applications—337,000 in all—Kleinwort Benson decided that the fairest way of scaling down small applications so as to give each investor an "economic holding," was to put them all in a ballot.

Applications for between 100 and 300 shares have a 30 per cent chance of getting all they applied for. The ballot was weighted in favour of larger applications where between 400 and 900 shares were applied for but none will receive more than 300 shares.

The system means that 44 per cent of applications will be successful, if scaled down, but investors will not know if they have been successful until they receive their acceptances levels.

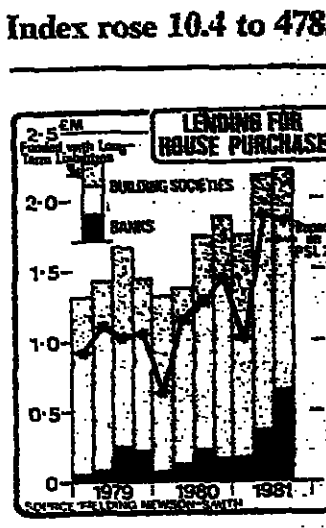
These will be posted on Thursday and may not reach investors in time for first dealings in the shares on Friday morning.

The chances of the shares reaching a premium of 20p or more on the first day were strengthened yesterday by the buoyancy in the market

THE LEX COLUMN

Behind the raid on Grade

Index rose 10.4 to 478.9



The conviction that U.S. rates are heading downwards hardened over the weekend, and the London stock market had a very firm day yesterday. The Government Broker supplied his long tap stock at a cut price, while the equity market's advance was underpinned by the high level of subscription to Cable and Wireless. The Cable share now look set to open at a worthwhile premium on Friday, but as acceptance letters are not being posted until Thursday, those stags who applied on the scatter principle will have a tantalising week.

ACC

Buying 50 per cent of the non-voting shares in a tightly controlled business is not an obvious way to become rich and famous. But his track record suggests that Mr Robin Holmes à Court, the Australian entrepreneur behind yesterday's market raid on Associated Communications, is not given to acts of whimsy. There are no clues about the motives behind this move—Lord Grade, for one, does not seem to think that the moment has come to hand over any significant measure of control to anyone, although he does appear to be on friendly terms with his new shareholder. The best guide to what is going on may lie in the recent history of the Bell Group, Mr Holmes à Court's main company.

This throws up a number of possible parallels to the ACC affair. Bell has been active in the stock market, but outright acquisitions have been the exception rather than the rule. It has been happy to take minority holdings in a number of companies, and these have more than once turned out to be the catalyst for radical changes. The best known examples are Ansett Transport, where Bell built up a 14 per cent stake and sold it on to News Ltd at a handsome profit, and Elder Smith Goldsborough Mort. The Adelaide financial establishment threw up its hands when Bell made a partial bid, which ended up with another big dealing profit.

Bell is attempting to build a media business through associated companies and — Lord Grade willing — the UK group could fit in with its plans. The back stop, presumably, is the fact that Associated's net asset value is roughly three times the current share price. Bell is not a large company, and it will need action of some kind sooner rather than later.

Clyde Petroleum

Clyde Petroleum's purchase of two oil companies from City Investing of the U.S. is a marriage of great fiscal convenience. City's assets range from Egypt to Ecuador but the heart of the matter is a production interest in the Buchan Field.

Clyde has been in the uncomfortable position of possessing no production acreage against which it can offset its exploration costs. The Buchan acquisition neatly resolves this dilemma. Under the existing tax regime, Clyde's cash flow from Buchan will incur no corporation tax. This is the mirror image of the problem which led LASMO to buy Oilex in 1979. LASMO had abundant cash flow and needed to shelter it with exploration interests.

Clyde is paying $45m in cash, part of which will be probably funde through a rights issue of convertible preference stock, and is also taking on board a cheap loan of $11.4m from British Petroleum. The balance-sheet should not look stretched for very long.

The purchase will leave Clyde a better-integrated company which should soon be looking for a full quotation. But the broader question is whether tax considerations should shap the long-term strategy of a company when the rules may change with the next Budget.

Money supply

After years of reprehensible behaviour, sterling M3 spends more and more of its time in the corner of the monetary classroom. Occasionally the authorities hint at a conceptual preference for the broad liquidity measure PSL 2 as being a better guide to monetary conditions, and there are indeed certain obvious advantages.

The original recommendation for PSL2 was that it is cosset-proof; only the very widest operators could shuffle their books to escape so broad an aggregate. And then, because it counts building society deposits as money, it surmounts the division between building societies and banks as providers of housing finance, a distinction which looks increasingly artificial as the banks push for market share. Best of all, since no one is trying to control PSL 2, there is just a chance that the readings it gives may be more or less accurate.

One attraction of the now unfashionable sterling M3 is that it represents, roughly speaking, the liabilities of the UK banking system. A glance at the asset counterparts gives a simple view of the causes of excess monetary growth—an unfunded government deficit, higher corporate borrowing or whatever. Now brokers Fielding, Newson-Smith have constructed a table of the asset counterparts of PSL 2, in the banking sector as enlarged to include the building societies and TSBs, over the past three years, which throws up several interesting features.

The PSBR naturally looms less large in the wider aggregate than in sterling M3, while the growth of bank lending, as redefined, does not show the same pronounced dip that it recorded in the sterling M3 series this summer. Purchases by the non-bank private sector of government debt are also much more stable. In the PSL 2 series building society purchases of gilt-edged do not contribute to funding, since the societies count as banks; nor do private sector purchases of Treasury bills or certificates of tax deposit, which are considered to be liquidity rather than savings. On this basis a fair amount of recent "funding" looks to be of uncertain monetary value—PSL 2 is far less susceptible to cosmetic targetry than the simpler sterling M3.

To the extent that building society lending is financed by an increase in term deposits, its growth does not inflate PSL 2. One of the conclusions of Fielding's paper is that the Government should offer fiscal incentives to help the banks and building societies convert sight deposits into medium-term savings. That would demonetise PSL 2 just as effectively as issuing National Savings. But for that sort of move we shall probably have to wait until PSL 2 is officially installed as Target Variable.

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